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IMPACT ASSESSMENT

Accompanying the document

Proposal for a Regulation of the European Parliament and of the Council

amending Regulation (EC) No 1073/2009 on common rules for access to the international market for coach and bus services

{COM(2017) 647 final} - {SWD(2017) 359 final}

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GLOSSARY OF DEFINITIONS, ACRONYMS AND ABBREVIATIONS

ARAFER	Autorité de régulation des activités ferroviaires et routières
ART	Autorità di Regolazione dei trasporti
Cabotage operations	Means either: - national road passenger services for hire and reward carried out on a temporary basis by a carrier in a host Member State, or - the picking up and setting down of passengers within the same Member State, in the course of a regular international service, in compliance with the provisions of Regulation (EC) No 1073/2009, provided that it is not the principal purpose of the service.
EDF	European Disability Forum
ETF	European Transport Federation
EU	European Union
GO	General objective
KTEL	Is the main intercity coach provider in Greece "Common Funds of Bus Proceeds"
IA	Impact Assessment
IRU	Global Industry Association of Road Transport
NPV	Net present value
OPC	Open Public Consultation
pkm	Passenger-kilometres
PRMs	Persons with reduced mobility
PSC	Public Service Contract means one or more legally binding acts confirming the agreement between a competent authority and a public service operator to entrust to that public service operator the management and operation of public passenger transport services subject to public service obligations; depending on the law of the Member State, the contract may also consist of a decision adopted by the competent authority: - taking the form of an individual legislative or regulatory act, or - containing conditions under which the competent authority itself provides the services or entrusts the provision of such services to an internal operator;
PSO	Public Service Obligation means a requirement defined or determined by a competent authority in order to ensure public passenger transport services in the general interest that an operator, if it were considering its own commercial interests, would not assume or would not assume to the same extent or under the same conditions without reward
PWD	DIRECTIVE 96/71/EC concerning the posting of workers in the framework of the provision of services
REFIT	Regulatory fitness and performance revision
RIMMS	Railway Information Measuring and Monitoring System
SME	Small and medium-sized enterprises
SO	Specific Objective

1. INTRODUCTION

This impact assessment (IA) accompanies a legislative proposal that revises Regulation (EC) No 1073/2009 of the European Parliament and of the Council on common rules for access to the international market for coach services, and amending Regulation (EC) No 561/2006[1] (hereinafter "the Regulation").

The Regulation forms part of a common EU legal framework for efficient, fair and sustainable road transport. Within the framework the Regulation is closely related to the legislation on access to the occupation of road transport operator[2] and social rules for road transport operators (the Driving Time Regulation[3], Road Transport Working Time Directive[4], the Enforcement Directive[5], and the Tachograph Regulation[6]) which together set the legal framework for road passenger transport operators to operate in the EU.

This initiative is part of a broader review of the existing legislation applying to road transport. The objective of the review is to update and improve the existing legislation so that it continues to achieve its objectives without undue burdens. Together, these initiatives consider a range of different options, with mutually reinforcing measures, which ultimately should improve the efficiency, fairness and sustainability of road transport. For road passenger transport operations the interaction of this initiative and initiatives on access to the occupation, social rules and the Eurovignette[7] are closely linked. This package is further described in Annex 5.

This impact assessment concerns a new REFIT initiative (regulatory fitness and performance revision) of current law[8] that aims to simplify and reduce regulatory costs while maintaining benefits.

2. WHAT IS THE PROBLEM AND WHY IS IT A PROBLEM?

2.1. Policy Context

This initiative is closely linked with the Communication of the Commission of 31 May, 'Europe on the Move'[9], which aims to make transport cleaner, more connected and competitive. Bus and coach services have the possibility of contributing to all these objectives by providing better services to citizens

The internal market is not yet complete and barriers remain, notably in the area of services. The integration of the European Union (EU) transport market remains low in comparison to other parts of the economy and a genuine EU-wide internal market exists only in air transport, while other transport modes, including road, suffer from different degrees of fragmentation along national borders.

The White Paper[10] on transport policy adopted on 28 March 2011 (hereinafter "the 2011 White Paper") sets out the Commission's vision for a competitive and sustainable transport system and reiterates the continuing importance of our ultimate aim, to pursue a

[1] OJL 300, 14.11.2009, p. 88.
[2] Regulation (EC) No 1071/2009, OJ L 300, 14.11.2009, p. 51
[3] Regulation (EC) 561/2006, OJ L 102, 11.4.2006, p. 1
[4] Directive 2002/15/EC, OJ L 80, 23.3.2002, p. 35
[5] Directive 2006/22/EC, OJ L 102, 11.4.2006, p. 35
[6] Regulation (EU) No 165/2014, OJ L 60, 28.2.2014, p. 1
[7] Directive 1999/62/EC, OJ L 187, 20.7.1999, p. 42
[8] Initiative no. 9, annex 2, Commission Work Programme 2017
[9] SWD(2017) 177 final
[10] See http://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX:52011DC0144

single European transport area and remove competitive distortions. This will help the EU transport policy remains the creation of a single European transport area, to help the EU stay competitive by optimising the performance of the entire transport sector for the benefit of all while safeguarding safety, security and the environment. It acknowledges that curbing mobility is not an option and that new transport patterns must emerge, according to which greater numbers of travellers are carried jointly to their destination by the most efficient (combination of) modes.

In the 1990s, the internal market for bus and coach services was created by two separate pieces of legislation, namely Council Regulation (EEC) No 684/92 on common rules for the international carriage of passengers by coach and bus[11] and Council Regulation (EC) No 12/98 laying down the conditions under which non-resident carriers may operate national road passenger transport services within a Member State[12]. These Regulations were consolidated by the Regulation which provides the conditions for the international carriage of passengers by coach and bus services within the EU by carriers for hire and reward.

The Regulation was adopted as a part of a legislative package with Regulation (EC) No 1071/2009 establishing common rules concerning the conditions to be complied with to pursue the occupation of road transport operator[13] and Regulation (EC) No 1072/2009 on common rules for access to the international road haulage market[14]. Together, these three regulations establish the conditions for accessing the profession and for accessing the markets for transport of goods and people by road and aim to support the completion of the internal market in road transport, its efficiency and competitiveness.

The scope of the Regulation covers the international carriage of passengers by coach and bus within the EU by carriers for hire and reward in possession of a Community licence or by own-account carriers established in a Member State.

The regulation provides for the opening of the markets for the following services:

Table 2-1: International carriage of passengers

Type of service	Definition	Regime
Regular services	Regular services means services which provide for the carriage of passengers at specified intervals along specified routes, passengers being picked up and set down at predetermined stopping points. Typical example: Regular, scheduled service open to all passengers, such as Eurolines services between Member States.	Subject to authorisation granted by the competent authorities of the MSs concerned
Special Regular Services	Special regular services mean regular services, by whosoever organised, which provide for the carriage of specified categories of passengers to the exclusion of other passengers. Typical examples: Regular, scheduled service not open to all passengers, such as: - School services serving only those attending a school; and	Not subject to authorisation where they are covered by a contract concluded between the organiser and the carrier

[11] OJL 74, 20.3.1992, p. 1.
[12] OJL 4, 8.1.1998, p. 10.
[13] OJL 300, 14.11.2009, p. 51
[14] OJL 300, 14.11.2009, p. 72

	- Staff services serving only those working at a location.	
Occasional Services	Occasional services means services which do not fall within the definition of regular services, including special regular services, and the main characteristic of which is the carriage of groups of passengers constituted on the initiative of the customer or the carrier himself. Typical examples: Multi-day visit or tour requested by a customer or offered by a carrier. Excursion or day trip requested by a customer or offered by a carrier. Local excursion or day trip offered to those already on a multi-day visit.	Exempt from authorisations

Source: Support Study for Impact Assessment 2016 Steer Davies Gleave

The Regulation lays down the provisions to be complied with by undertakings that wish to operate on the international road passenger transport market and on national markets other than their own (known as **cabotage operations**).

Table 2-2: Cabotage Operations

Type of service	Permitted cabotage operations
Regular services	The picking up and setting down of passengers within the same MS, in the course of a regular international service provided that: • It is not the principal purpose of the service; • It is not a transport service meeting the needs of an urban centre or conurbation, or transport needs between it and the surrounding areas; and • It is not performed independently of such international service
Special Regular Services	Liberalised from any specific authorisation if carried out on a temporary basis and covered by a contract concluded between the organiser and the carrier.
Occasional Services	Liberalised from any specific authorisation

Source: Support Study for Impact Assessment 2016 Steer Davies Gleave

It includes provisions related to the documents to be issued to such carriers by the Member State of registration (Community licence) and by the authorising authority (Authorisation for a regular service). It sets down provisions regarding the sanctioning of infringements and cooperation between Member States in that context.

The Regulation has the following general objectives:

- To promote coach transport as a sustainable alternative to individual car transport.
- To open the market for international services and for cabotage operations without undermining public service obligations;
- To prevent discrimination on grounds of nationality or place of establishment; and
- To limit the administrative burden to the extent possible

No rules have been adopted so far at EU level as regards access to the national markets for regular services by coach and bus (except cabotage operations which are part of an international service) and therefore the operation of national services is otherwise subject to the laws, regulations or administrative provisions of the Member States.

This initiative should be seen as complementary to several parallel initiatives in the review of road transport legislation as part of the mobility package. Market and

social issues in the road passenger transport sector are likely to become more interdependent because market opening tends to increase competitive pressure on operators and their mobile workers. Addressing these issues requires a holistic approach whereby the social, internal market and posting of workers' rules are considered together to ensure both fair working conditions for drivers and fair competition between operators. It is also closely linked with the road charging initiatives which propose to include coaches in the Eurovignette Directive and contribute to a level playing field in particular with rail. Therefore, this initiative on access to the coach market is part of a co-ordinated response to both the social and market challenges faced.

This initiative is in particular complementary to the on-going revision of the Posting of Workers Directive 96/71/EC[15] (PWD), which aims to clarify and update the provisions adopted more than twenty years ago and to ensure that the Directive still strikes the right balance between the need to promote the freedom to provide services and the need to protect the rights of posted workers. The PWD revision deals with general issues, such as broader set of remuneration rules or maximum periods of posting to be applied to all sectors. This initiative is also complementary to the specific rules proposed by the Commission on 31 May 2017[16] for the application of posting rules to workers in road transport. This proposal addresses the risks of inadequate working conditions for drivers, including terms and conditions of employment, and at the same time mitigating the excessive regulatory burdens on operators and preventing distortions of competition. The overarching goal is to ensure a balance between adequate working conditions for drivers and freedom to provide cross-border services for operators.

2.2. Market Context

The international and national markets for inter-urban regular coach services play an important role in passenger transport. Coach is an economical, efficient and sustainable[17] mode of transport which can contribute to reducing emissions from transport and to improving accessibility for citizens on low income or living in isolated and low population density regions with no rail services.

In 2014, the bus and coach transport activity (expressed in passenger-kilometre) represented 8.0% of passenger transport and 8.8% of land passenger transport within the EU[18].

Table 2-3: Modal split of passenger transport 2014[19]

Modal split of passenger transport in 2014						
Passenger car	**Powered 2 wheel**	**Bus and coach**	**Railway**	**Tram & Metro**	**Air**	**Sea**
72.3%	1.9%	8.0%	6.5%	1.5%	9.2%	0.6%

[15] OJ L 18, 21.1.1997, p. 1

[16] Proposal for a DIRECTIVE OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL amending Directive 2006/22/EC as regards enforcement requirements and laying down specific rules with respect to Directive 96/71/EC and Directive 2014/67/EU for posting drivers in the road transport sector Brussels, 31.5.2017 COM(2017) 278 final 2017/0121 (COD)

[17] Coach has lowest CO2 emissions of all long distance modes (with E-trains) Bus and coach transport for greening mobility, Delft, October 2011

[18] Data from Statistical Pocketbook 2016 EU Transport in figures

[19] The modal split indicator is based on passenger transport activity expressed in passenger-kilometres.

Modal split of passenger transport on land in 2014				
80.1%	2.1%	8.8%	7.2%	1.7%

Source: Statistical Pocketbook 2016 EU Transport in figures

Although the sector's share of the land passenger transport market has grown by 0.4% since 2009, these high level statistics do not accurately describe the different types of coach and bus services within the scope of the Regulation. The scope, quality and availability of data vary widely across Member States. There are inconsistencies across Member States in the definition of services (regular, international regular, special regular and occasional) and the distinction between bus (usually urban) and coach services (usually inter-urban). Vehicle-kilometres and passenger-kilometres (pkm) are reported in different and mutually inconsistent ways by different Member States. The statistics available at the European and Member State levels frequently refer to all bus and coach services together. While some statistics are available at an aggregate level (and usually conflate both bus and coach operations) there are few statistics available for sub-sections of the market, e.g. medium or long distance coach services.

As shown in table 2-4, 14 Member States have some competition on the market for regular services accounting for an estimated 278 billion pkm. However, these Member States often still restrict the scope of inter-urban coach services by reference to a geographical market definition or a distance threshold; or by withholding permission to operate following an analysis of the impact of the proposed service on established operators; or by requiring operators to establish locally; or in some cases they rely on services provided under public service contracts[20] (PSC) to supplement commerically operated networks and protect these PSCs from competition. These will be described further in section 2.5.1. Moreover, as desbribed in section 2.3, restrictions in a broader sense can be exacerbated by discrimination in access to bus and coach terminals (see section 2.3).

There are a further 7 Member States with periodic tendering of concessions (competition for the market) accounting for 71 billion pkm and 7 Member States continue to limit competition considerably representing 30 billion pkm.

Table 2-4: National market size and market liberalisation in the EU

Member State	Some competition on the market/ open access services	Some competition for the market/ Concessions	Continue to limit competition considerably	Market size in 2015 (billion pkm)
Austria		✓		6.9
Belgium		✓		13.3
Bulgaria	✓			7.6
Croatia		✓	✓	3.0
Cyprus			✓	1.1
Czech Republic	✓	✓		15.5
Denmark	✓	✓		4.9

[20] See page iv for definition

Member State	Some competition on the market/ open access services	Some competition for the market/ Concessions	Continue to limit competition considerably	Market size in 2015 (billion pkm)
Estonia		✓	✓	1.5
Finland	✓	✓		4.4
France	✓			34.4
Germany	✓			45.1
Greece			✓	13.5
Hungary		✓	✓	14.7
Ireland	✓			5.1
Italy	✓			77.0
Latvia		✓		1.6
Lithuania		✓	✓	2.4
Luxembourg				0.4
Malta			✓	0.4
Netherlands		✓		7.9
Poland	✓			32.2
Portugal	✓			5.3
Romania	✓	✓		10.6
Slovenia		✓		1.8
Slovak Republic	✓	✓		4.8
Spain		✓		36.6
Sweden	✓			4.9
United Kingdom	✓			26.2

Source: Support Study for Impact Assessment 2016 Steer Davies Gleave.

The international market for regular services is small compared to the domestic market but it appears to be growing. It is estimated that international regular service passenger numbers grew by 40-60% and international coach pkm[21] grew by between 0-40%, between 2009 and 2014[22]. The domestic market in 2014 is broadly similar, and possibly slightly larger, than the market in 2009. The data suggests that the average international coach trip is getting shorter. It is estimated that there are several tens of millions of passengers per year travelling, on average several hundred kilometres each. This stronger growth in international markets relative to the overall market suggests that operators have responded to opportunities provided by international liberalisation.

In 2013 there were 43,352 enterprises operating bus and coach services in both national and international markets (not including urban or suburban services) with 497,800 employees[23].

[21] A passenger-kilometre is the unit of measurement representing the transport of one passenger by a defined mode of transport over one kilometre

[22] Comprehensive Study on Passenger Transport in Europe, Steer Davies Gleave, April 2016

[23] Estimated using EUROSTAT structural business statistics "*other passenger land transport n.e.c. (not elsewhere categorised)*". It is cautioned that this classification of economic activity is indicative as it includes more forms of land transport than coach.

Many coach brands are a marketing alliance or partnership, managed by one operator and operated by several companies or by subcontractors. Many coach companies are domestic subsidiaries of foreign owning groups, and the ultimate ownership of individual coach operators may depend on mergers and acquisitions activity among a more limited number of parent companies including rail companies (e.g. Deutsche Bahn AG and SNCF) and major transport groups (e.g. Arriva and National Express).

Coach operators can add and remove routes relatively easily, allowing them to enter markets on a trial basis, or to modify services rapidly as markets change. The provision of the services, and their relative success, will generally depend on the characteristics of the competing modes. International coach services and networks are dynamic, with competition sometimes leading to price wars and subsequent withdrawal of one or more operators.

2.3. Evaluation of the Regulation

The ex-post evaluation of the Regulation which was carried out from 2015 to 2017[24] concluded that the Regulation has contributed to the establishment of a more coherent framework for international services by coach and bus, including cabotage operations. The opening of the international market for regular services has resulted in improvements in the level of service with growth in the number of operators, numbers of passengers and the number of services in the EU. There was substantial growth in certain Member States, notably Czech Republic, Estonia and Poland, over the period 2009-2014 and the only Member State with data available that reported a decrease over this period was Slovenia. However, it has proved difficult to find evidence that directly links increase in activity to the introduction of the Regulation and some of the evidence is largely anecdotal and insufficient to demonstrate a causal relationship. There is conclusive evidence that the liberalisation of national markets by MSs in combination with the liberalisation of international services by the Regulation created a favourable environment for the expansion of coach services at national and international level. The opening of national markets for regular services in countries such as Italy, Germany and France that followed the liberalisation of international services triggered the expansion of some transport operators and enhanced the provision of new international services. It appears that once a national market for regular service is established, operators tend to exploit their national position through offering services to neighbouring countries.

The available evidence indicates that the Regulation has not had any discernible effect on the volume of employment. No conclusion could be drawn regarding the evolution of the working conditions of drivers.

Despite its achievements, the inter-urban coach and bus sector has failed to grow at a rate comparable to that of other transport modes and its modal share has continued to decline over an extended period. There are different explanations to this but very importantly, as described below; it appears that international services, without competitive inter-urban services, constitute less appealing service offerings to users.

The evaluation has shown that the intended modal shift from passenger car to coach and bus services didn't materialise to the anticipated extent. The anticipated impact was a more sustainable modal mix in passenger transport. The aim was to promote

[24] The Commission published a Staff Working Document with the results of the evaluation: insert link to SWD

passenger transport sustainability by shifting traffic volumes away from car. These expectations were largely based on an over-optimistic assumption that the promotion of bus alone would change passengers' modal choices. In fact, the coach sector has failed to grow at a rate comparable to that of passenger cars and its passenger transport share continued to decline over an extended period. However, the problems of pollution, congestion and road safety that should have been addressed by the original objective of promoting coach and bus services as a sustainable alternative to individual car transport) still exist and remain valid. Furthermore, the evaluation identified the lack of an attractive mix of affordable alternative transport modes for citizens as a new and – at least - equally urgent challenge.

The original Regulation did not aim at integrating national markets for regular services. However, the latter are recognised in the evaluation as a critical factor in the provision of international services. The evolution of the market, in terms of different and divergent rules on access to national markets in Member States, is a problem that was not previously apparent or considered when the intervention was designed. This patchwork of regulatory systems in the EU makes it difficult for carriers to exploit the full potential of operating in an Internal Market, impedes integration and undermines the efficiency of coach and bus services.

The scope of the objectives of the original Regulation did not cover the problem of discrimination in access to terminals. Yet, without non-discriminatory access to terminals, bus and coach operators are forced to stop at the road-side, which diminishes the quality of service provided to users. Moreover, terminals serve a vital role acting as a hub in a network enabling passengers to change coach or acting as a multimodal hub enabling passengers to transfer to another collective mode of transport. The evaluation found evidence of discriminatory access to terminals in Austria, Czech Republic, France, Croatia and the UK which distorts service patterns and limits the possibility of operators to adapt services to passenger demand. The accessibility to terminals as well as the extent to which the terminals are linked to other modes of transport is particularly important for international regular services.

2.4. Problem definition

Following the ex-post evaluation, further Commission work and stakeholder consultations, two main problems were identified. The main problems are:

- operators are **facing obstacles in national markets to develop inter-urban coach services**, and
- the **low modal share of sustainable transport modes**[25].

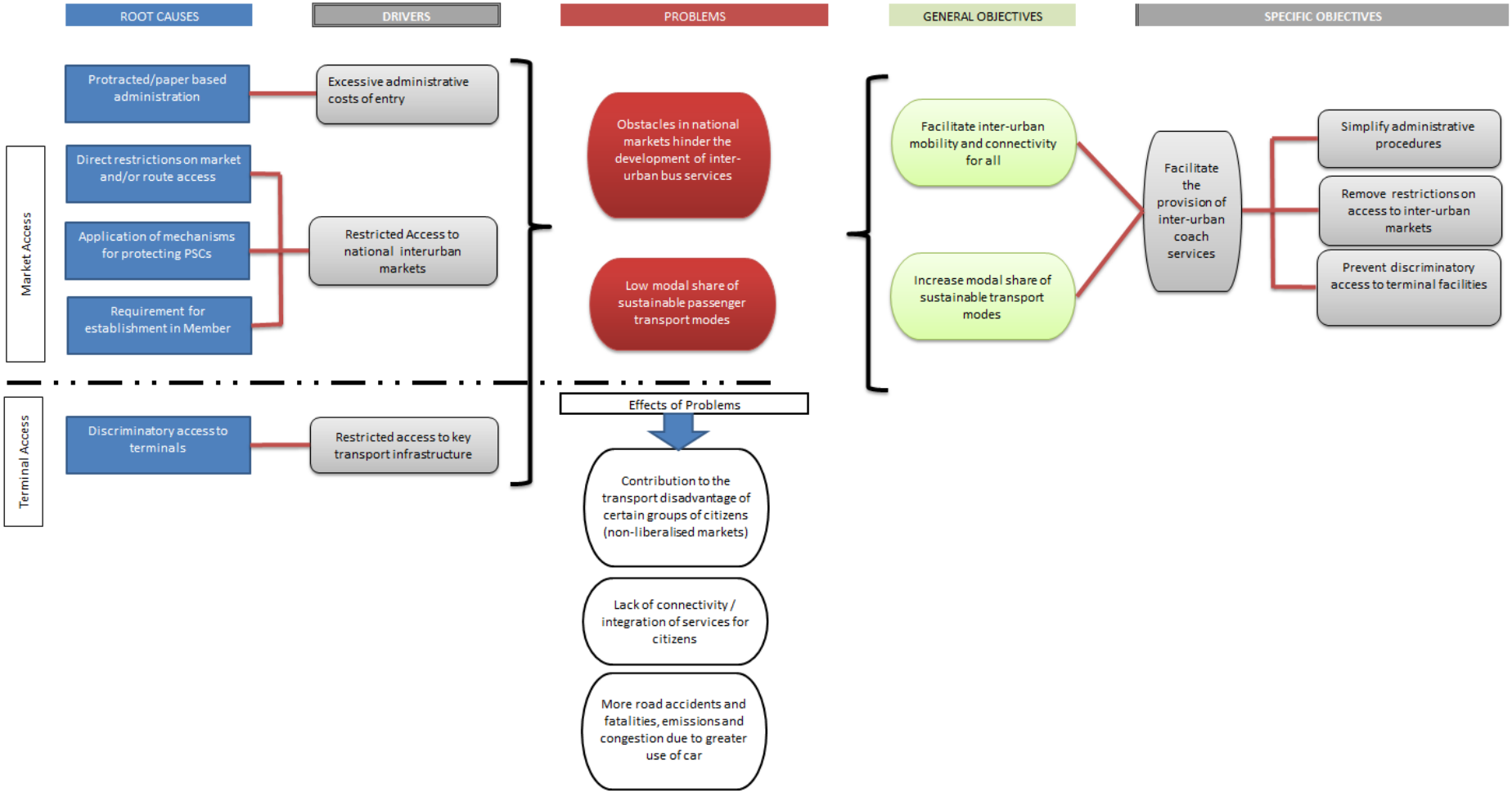
The effects of these problems for citizens are described in figure 2-1. In non-liberalised markets this **contributes to the transport disadvantage of certain groups of citizens.** Furthermore citizens in general are **faced with a lack of connectivity and non–integrated services**. In particular, the ability of citizens in disadvantaged regions that are more sensitive to the price of transport, and to purchase end-to-end tickets from a competitive pan-European operator could substantially improve their access to employment, education and leisure opportunities.

[25] Of modes that are competing on inter-urban transport, coach and trains are the most energy efficient and produce the least CO_2 emissions (Bus and coach transport greening mobility, CE Delft 2011).

The evaluation concluded that operators are faced with a wide range of restrictions on access to national inter-urban markets even in Member States that have introduced different forms of market liberalisation. The date of most recent liberalisation relating to national markets for regular services varies widely, from 1980 in the UK to 2015 in France. Partly as a consequence, both the type of services which have been liberalised and the extent of the liberalisation vary widely between Member States. For example:

- Some create a number of regional concessions competitively, with exclusive rights to operate services (e.g. Spain).
- Some permit commercial operations, subject to rules designed to protect PSC's (e.g. France)
- Some permit commercial operations carrying passengers beyond a minimum distance (e.g. United Kingdom).
- Some delegate responsibility to regional, county or municipal authorities (e.g. Germany).

Figure 2-1: Problem Tree



In these liberalised national markets, restrictions therefore include inter alia the prohibition of services below a certain distance threshold or prohibition of cabotage services or withholding permission to operate due to negative impacts on established operators. Operators encounter additional problems due to the excessive time taken to grant or refuse an authorisation following a procedure with little or no transparency. Some Member States continue to require that operators establish locally forcing them to adopt different business models to overcome this restriction.

In the 14 Member States with non-liberalised markets (see table 2-4) there are a wide range of restrictions on access to markets for inter-urban services. These restrictions originated from a variety of different sources including Member States protecting rail, protecting incumbent operators, protecting PSC's, or putting in place market access arrangements that are considered to better reflect the local circumstances. This means that barriers to market entry exist at a number of levels, ranging from tight national control of services, through regional awards of concessions with exclusive rights (whether directly awarded or competitively tendered), to local requirements for, or prohibitions on, stopping in particular locations.

The number and diversity of regulatory frameworks and authorising procedures across the EU imposes excessive administrative costs on operators seeking to provide regular services in more than one domestic market. Furthermore the range of authorising procedures deters coach operators from providing international services as in reality national and international are interlinked and in turn integrated with other modes of transport.

Discrimination in access to terminals is a common problem across the EU. A review of a number of cases investigated by competition authorities in different Member States provided information on whether the actions of particular transport and terminal operators were anti-competitive[26]. These cases demonstrate the variety of different problems and their impacts on the services provided by competing coach operators including:

- Refusal to grant access to competitive terms can prevent a competitor from introducing a new service on a given route;
- A decision by a terminal owner to also access to a single preferred supplier can have the effect of displacing even an established competitor;
- A decision by incumbent coach operator to vacate a terminal in favour of a new facility can have the effect of undermining the services of competitors who remain.

They also demonstrate that reaching a decision in a case involving abuse of a dominant position and anti-competitive behaviour can take several years.

The UK based operator association Confederation of Passenger Transport (CPT) stated during the consultation that terminal access was a major concern. They suggested that there should be an EU-wide regulation requiring Member States to adopt appropriate measures to enhance and manage terminal capacity.

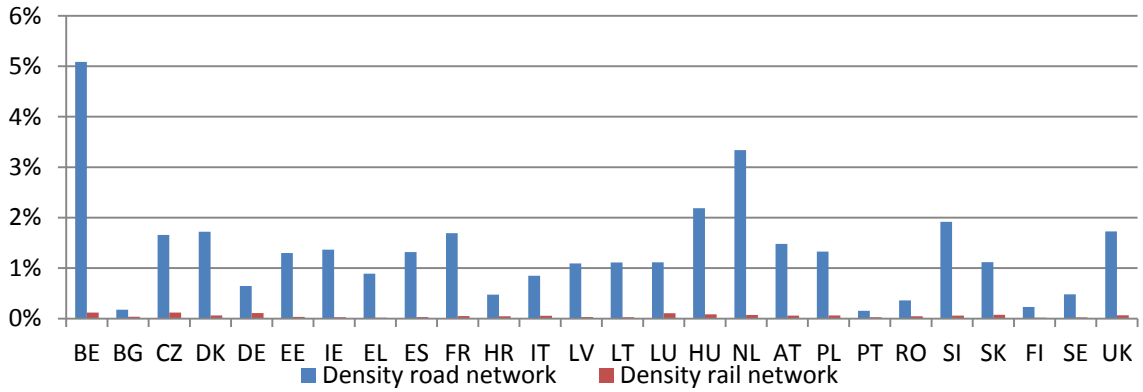
[26] See table 3.3 Support Study for the IA for the Revision of Regulation 1073/2009 Steer Davies Gleave

Coach services have the potential to provide transport opportunities that match the needs of these disadvantaged groups of citizens, typically without passenger cars, as it can offer low fares and a large network of services.

In 2014 passenger cars accounted for 83.4 % of inland passenger transport whilst the more sustainable collective modes of transport (train, coach, bus, metro and tram) accounted for only 16.7%. Over the period 2004 to 2014 the relative importance of the use of passenger cars was quite stable, with its share always within the range of 83% to 83.7%. This indicates that the more sustainable collective transport modes have not been able to reduce the relative importance of the use of passenger cars.

The decline in the modal share of coach services has to be seen in the context of the very wide potential for such services. The potential for the development of the network of coach services is linked to the density of the road network in the EU. The greater density of the road network should enable coach operators to develop more extensive and complex networks, to provide services to more cities, and to provide more services to rural areas that are not served by, or accessible to rail, air or maritime transport. Figure 2-2 illustrates that the road density in each MS is much greater than that of the rail network.

Figure 2-2: Density of the total road (km road/km^2 land area) and rail (km rail/km^2 land area) networks[27]



Source: Adapted from Statistical Pocketbook 2016 EU Transport in figures

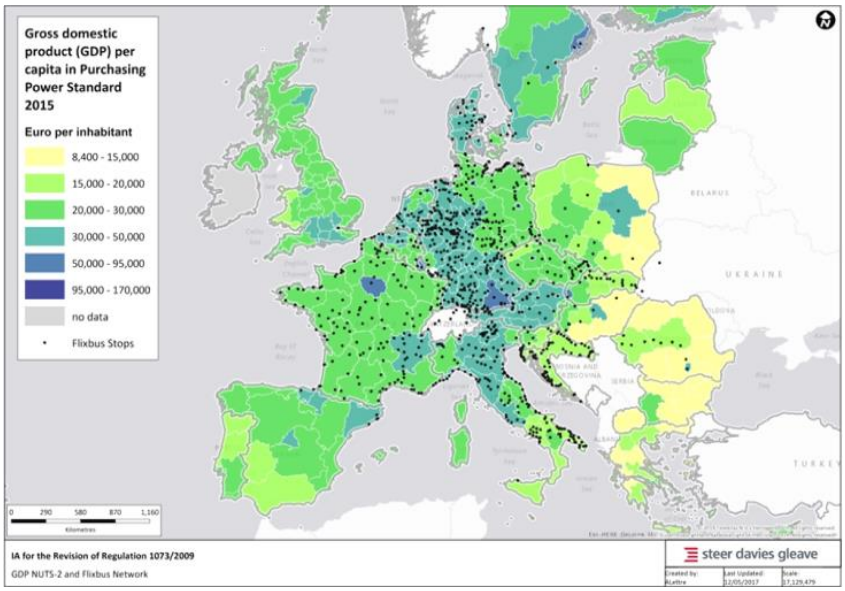
Expansion of the network of coach services could improve the connectivity of disadvantaged regions and supplement existing bus and rail networks. Figure 2-3 shows the GDP (Gross Domestic Product) per capita (measured by purchasing power rates) in NUTS-2[28] regions across the EU, with locations served by Flixbus's network overlaid. Since commencing the expansion of its network beyond its home Member State (Germany) in 2015 Flixbus has developed one of Europe's largest long-distance coach and bus networks. The figure shows that the expansion has been heavily concentrated in recently liberalised markets (France and Italy) that served as the stepping stone for the uptake of bus and coach services both at national and international level. It also clearly shows that network expansion has been constrained significantly, in countries such as Greece and Spain where national markets are still closed despite the presence of well-established industries in tourism expected to generate significant levels of coach traffic.

[27] CY and MT are not included as they do not have rail networks

[28] Please see http://ec.europa.eu/eurostat/web/nuts/overview for an overview of NUTS-2 (Nomenclature of territorial units for statistics)

However it also shows that currently, there are relatively few locations in disadvantaged NUTS-2 regions with GDP per capita of less than €20,000 (e.g. in Poland, the Slovak Republic, Hungary, Romania and Bulgaria) covered by the network of coach services. This suggests that an expansion of the network to the east could improve the connectivity of several more disadvantages NUTS-2 regions and supplement existing bus and rail networks even in Member States with liberalised markets (e.g. in Poland, the Slovak Republic, Romania and Bulgaria). As described above, better and more integrated service offerings to users from disadvantaged regions via the possibility to purchase end-to-end tickets could substantially improve their access to employment, education and leisure opportunities.

Figure 2-3 GDP per capita by NUTS-2 region and the Flixbus network



Source: Comprehensive study on passenger transport by coach, Steer Davies Gleave, April 2016.

The Special Eurobarometer Report on Coach Services[29] (hereinafter "the Eurobarometer Report") survey indicates that the **pricing of coach services is an important factor** in the mode-choice of both non-users and economically disadvantaged users. More specifically, the socio-demographic breakdown shows a notable difference between the average non-user and non-users from disadvantaged groups. For example, on average 26% of respondents would be more likely to use coach services if fares were lower. This increases to 35% of people with difficulty paying bills most of the time, 31% who have difficulty paying bills from time to time, 36% of respondents still studying and 34% of respondents aged 15-24.

Restrictions to the provision of inter-urban coach services in national markets seem to lead to low service quality and higher fares. Table 2-5 describes the impacts on inter-urban coach services in Member States that have recently liberalised their markets to promote travel by coach. The results demonstrate that **fares can be as much as 20% more expensive on routes where the provision of coach services is restricted** than on

29 http://ec.europa.eu/commfrontoffice/publicopinion/index.cfm/Survey/getSurveyDetail/instruments/SPECIAL/surveyKy/2144

routes where there is competition. It also demonstrates that service quality was lower, the number and frequency of services was lower, the size of the route network was smaller (with less accessibility), and less on-board services were provided e.g. less provision of Wi-Fi.

Table 2-5: Impact of liberalisation on fares and service quality

Study	Member State	Impact of liberalisation
Augustin (2013)[30]	Germany	Identified a statistical relationship between level of market concentration and fare offered indicating that actual competition is an important determinant of fare levels. Also, the threat of new entry alone was sufficient to constrain the fares offered by incumbents.
Deman[31]	France Germany Italy	From the customer's perspective, coach market liberalisation has already improved standards and choice. Increase in number of services and service frequencies. Coach services are now being promoted more actively, with services marketed on the size of the route network, better value for money and the environmental benefits of coach travel.
Dürr and Hüschelrath (2015)[32]	Germany	Open access to routes can have a significant impact on fare competition. It suggests that fares on routes served by three operators are 17% lower than on monopoly routes.
Gipp (2016)[33]	Germany	Gradual decline in tariffs and greater innovation in the interests of passengers (e.g. web-based ticketing & provision of Wi-Fi).
Grimaldi et al (2016)[34]	Italy	New entrants introducing pricing strategies based on airline-style yield management with substantial discounts available for early booking, in contrast to the more rigid, distance based fares strategies that are still pursued by established incumbents.

Source: Support Study for Impact Assessment 2016 Steer Davies Gleave

In principle, the benefits of opening access described above serve to demonstrate the benefits foregone in Member States in which there is little or no competition between operators. The evidence on the effects of competition to date, coupled with the

[30] Contestability of the long distance German coach market, Katrin Augustin, KCW GmbH, European Transport Conference 2013.

[31] Liberalisation of passenger transport in Europe and its consequences for the fleet, Jan Deman, Director of Busworld Academy.

[32] Niklas S Dürr and Kai Hüschelrath, Competition in the German Interurban Bus Industry: A Snapshot Two Years After Liberalisation, Centre for European Economic Research, August 2015.

[33] Economic Lessons from the Liberalization of the German Bus Market, Christoph Gipp, IGES Institut GmbH, March 2016.

[34] Intercity coach liberalisation - the cases of Germany and Italy, Raffaele Grimaldi, Katrin Augustin, Paolo Beria, World Conference on Transport Research, July 2016.

demonstrable restrictions on market access in many Member States, suggest there is considerable scope for improving the competitiveness of the sector from the perspective of passengers. Greater competition within national markets would result in lower and more innovative fares, more efficient promotion of coach and bus regular services.

The 2011 White Paper calls for greater integration of modal networks to provide passengers with better modal choice. Passengers are less likely to use coach services if they do not connect with other coach services or sustainable modes of transport or if the connections provided are not convenient. The range of facilities (such as well-signed interchanges, and relevant and accessible passenger information) and onward connectivity which the majority of coach terminals provide makes them particularly attractive, and important, for passengers.

Restrictions on access to terminals are widespread and that they have a material impact on the services provided to operators and passengers. For example, during the targeted consultation exercise the operators National Express and Megabus confirmed the importance of serving terminals that enable interchange with other modes. National Express also highlighted the importance of ensuring connectivity between international and national coach services.

The evidence indicates that the provision, standards, ownership and regulation of terminals vary widely between Member States, within Member States, and even within the same city. This variety of conditions makes access to terminals and integration with other modes complex and difficult.

The IRU stated that there is a general lack of integrated terminal facilities supporting door-to-door transport and undermining the ability of operators to meet customer's needs. Other operator stakeholders stated that roadside stops are not appropriate for encouraging multi-modal travel. Fewer than one in six respondents (13%) in the Eurobarometer Report gave good connections with other transport services as a reason for using coach services.

The European Disability Forum (EDF) confirmed that multi-modal terminals are particularly important for persons with reduced mobility (PRMs) who rely on being able to transfer between modes easily. The Eurobarometer Report indicates that of the respondents that use coach services one in ten respondents stated they use coach services to travel to or from airports and a further 7% use the services to travel to or from rail stations. Of the non-users of coach services 21% reported they would be more likely to use the services if there was a more extensive network of routes and stations and better connections with other transport modes.

Consequences of problems

Situations of transport disadvantage, or low levels of accessibility, occur when there is little or no access to public transport or other transport modes, which restricts mobility and access to employment, education and leisure opportunities. This, in addition, disproportionately impacts on certain disadvantaged groups[35] of citizens.

Similarly to inter-urban services, there is evidence that the accessibility to long distance services is associated with income levels[36]. In other words, citizens with high levels of income generally have access to much improved mobility services.

[35] Disadvantaged groups include those sensitive to the price of transport, low income, those in education and training, unemployed, young people, old people, people with restricted mobility (PRMs), disabled people, those living in disadvantage areas, living in isolated regions, and households with no access to a car and living outside urban areas.

[36] http://publications.jrc.ec.europa.eu/repository/bitstream/JRC96151/jrc96151_final version 2nd correction.pdf

The lack of inter-urban mobility for economically disadvantaged groups is a problem because these citizens may not be able to participate in key activities such as education, job, visiting family and friends, healthcare and in general suffer social exclusion.

2.5. What are the problem drivers?

As indicated in the problem tree, figure 2.1, there are three underlying problem drivers affecting the two main problems of **operators' facing obstacles in national markets to develop inter-urban coach services,** and a **persistent low modal share of sustainable passenger transport modes**.

2.5.1. *Problem driver 1: Restricted access to national inter-urban markets*

The regulatory frameworks for national coach services vary widely between the Member States. In some cases access to markets is directly restricted through the award of contracts to monopoly service providers. This both eliminates the scope for competition on individual routes and substantially hinders the development of international commercial services and networks. For example, in Greece contracts are awarded directly to operators within KTEL, a jointly funded group of companies and in Spain contracts are competitively tendered, with operators only periodically being subjected to competitive discipline. Restrictions may also stem from interactions with rail services, which Member States in certain cases protect as these are considered to be more environmental friendly.

As shown in table 2-4 above, there are 14 Member States who limit competition on their markets accounting for in excess of 100 billion pkm. These Member States can exclude operators entirely from potential markets or award PSCs which favour incumbent operators and prevent potential new entrants from competing on equal terms (e.g. Austria, Belgium, Greece and Spain). By definition, the award of monopoly contracts effectively eliminates the scope for competition on individual routes. It can also substantially constrain the development of international networks. Even where contracts are subject to competitive procurement, the cost and uncertainty of mounting a bid to operate an entire route network will discourage potential market entrants who would otherwise have tested commercial opportunities through more limited market entry. The length of concession contracts also limits the opportunities for new entry.

As mentioned above restrictions also occur on liberalised national markets including: a prohibition of services below a certain distance threshold (e.g. France and Germany); withholding permission to operate following an analysis of the impact of the proposed service on an established operator (e.g. Ireland and Estonia); and prohibitions on certain types of services, for example cabotage operations, in Latvia. The application of these different approaches to protect PSCs makes it difficult for operators to plan new services.

Operators have reported during the stakeholder consultation that even in liberalised markets they encounter problems due to the excessive time taken to grant or refuse an authorisation and that there is little or no transparency in authorisation procedures especially in the application of mechanisms to protect PSCs.

Restrictions on market entry can be exacerbated through the process of awarding PSC's, which may favour incumbent operators and prevent potential new entrants from competing on equal terms.

For example, BusUp, a provider of occasional and discretionary coach services, noted that both existing and new contracts are often tendered on terms that only established operators can meet. It stated that

the large size of concessions in Spain resulted in difficulties for SMEs bidding for them. Similarly, the Coach Tourism and Transport Council of Ireland has suggested that the pre-qualification criteria for bidding for recent PSC's were such as to preclude the majority of private operators.

Limiting the number of bidders in this way may mean that new operators are prevented from extending their networks even where they are prepared to operate services under PSC and meet contractual requirements defined by regional and local authorities.

Member States that have liberalised national regular services always continue to require that operators establish locally and have not taken the opportunity to decide that the Community licence shall be valid for national transport operations under the provisions of Regulation 1073/2009. This forces operators to adopt different business models to overcome this restriction. The business models include contracting services to local operators and establishing subsidiaries. Operators have confirmed that the costs of circumventing local establishment requirements can be significant, even for large operators. The biggest perceived negative impact of the requirement to establish locally is the associated administrative costs for the carrier. 81% of the 36 carriers that responded to the open public consultation (OPC**)** identified these costs as having a negative impact.

Stakeholders responding to the OPC generally agreed that restrictions on access to national markets for regular services are a problem. Of the 153 respondents, 33% agreed that it is a major problem and 27% stated it is a minor problem. 67% of the 45 operators responded that the restrictions have a negative impact on their ability to expand into new markets and none expressed the view that they had a positive impact.

Public Service Contracts

Some public passenger transport services that society needs as part of its general interest cannot be run commercially, so the competent national, regional or local EU authorities must be able to make certain they are provided. Competent authorities can do this:

- by awarding exclusive rights to operators running public services, compensating them financially. This usually takes the form of bundling profitable and non-profitable routes together so that the profitable routes cross-subsidise the non-profitable routes, and also
- by defining rules (i.e. public service obligations) for how public transport should be operated. For instance, public subsidies can be granted for the provision of transportation services, particularly for low-density routes, usually connecting rural areas. Such subsidies can be granted both to railway and coach services. As a reference, the total amount of subsidies granted for the compensation of railways PSOs in the European Union in 2015 amounted to EUR 20 billion.

Article 14 of the Treaty on the Functioning of the European Union (TFEU) and Protocol No 26 on services of general interest annexed to the TFEU sets out the general principles of how Member States define and provide services of general economic interest. The EU has developed legislation to avoid disparities between Member States in the procedures and conditions they apply to the execution of public service obligations.

Evidence from a previous study[37] indicates that there is little consistency across Member States in terms of the size of the area of competence of the competent authorities which organise public transport and PSCs. In smaller or island Member States the authorities tend to be national, whilst in many Member State there can be a large number of authorities. Some states have authorities in charge of transport at a regional level, including Belgium, Germany, Czech Republic, Denmark, Croatia, Italy, Spain, Slovakia and Sweden. There is nothing to prevent authorities of national competence to manage many distinct contracts. However, in the case of Ireland, Cyprus and Malta, there are only a limited number of public service contracts in use.

The opening of access to the national market for regular services would enable operators to provide new services which, if attractive, will both:

- provide welfare benefits to new passengers who would not otherwise have travelled; and
- take passengers from existing services, reducing the revenues of existing operators and incentivising them, where possible, to improve quality and lower fares, reduce costs, or cut services.

Where new services effect existing services provided under a PSC, Member States and competent authorities are likely to be concerned if the first effect "generation" (of revenues through newly generated demand for bus and coach services) is small compared to the second effect "abstraction" (of revenues from existing operators).

Currently there are a number of different approaches to protecting PSC's based on restricting or limiting new entry. These are:

- Regulation 1073/2009 requires that international coach services be authorised except on the basis of detailed analysis of their effect on one or more PSC's.
- Regulation 1370/2009 permits exclusive rights to protect any PSO provided by in particular any land transport mode.
- Directive 2012/34 as amended Directive 2016/2370 requires that international and domestic rail services may be limited to protect the economic equilibrium of a PSC applicable to the same or an alternative route.

Each of the options described in section 5 dealing with PSCs will continue to provide Member States with the capability to protect PSCs whilst also providing carriers with transparency together with clear, simple and rapid procedures to address demand.

During stakeholder consultation 9 out of the 13 Member States that replied reported that they were concerned about the potential adverse impact on services operated under PSCs. To address these concerns all measures dealing with market access include a measure to protect PSC's.

2.5.2. *Problem driver 2: Excessive administrative costs of entry*

We have identified extensive evidence that administrative costs incurred by operators can be material and that administrative processes can delay entry. It is also clear that the requirements for the authorisation of national and international regular services can vary significantly by Member State.

[37] Study on economic and financial effects of the implementation of Regulation 1370/2007 on public passenger transport services by Steer Davies Gleave 2016

Operators face excessive costs of entry in national and international markets due to national and local authorisation procedures and requirements including in the case of applications to operate international services under the Regulation.

In Germany the application process can take up to four months with different procedures in different Länder. The authorisation procedures for international and national regular services involve protracted paper-based administrative procedures with both large and small operators acknowledging that this process favours larger established operators who are well placed to understand national requirements and processes. Operators also highlighted the importance of language barriers and the need for translators to communicate requirements and complete application forms.

Coach operators who carry out international occasional services, such as group tours to holiday destinations, require a journey form. The journey form holds information about the type of transport on the one hand and about destination, route and passengers on the other hand. The journey form generates an unnecessary administrative burden for operators.

The REFIT Platform has considered a submission from the Dutch Ministry of Infrastructure and Environment on the elimination of the journey form[38] clearly shows mixed views. The Stakeholder group considers that the journey form has lost its relevance, generates unnecessary administrative burden for many operators, in particular SME's and recommends its removal.

Within the Government group, views are divided. While a few Member States consider that the abolition of the journey form would reduce regulatory burden for both carriers and Member States, the majority of Member States see the journey form as an effective control tool to complement tachographs which needs to be maintained.

In the OPC 75% of the 65 companies and 78% of the 27 non-governmental organisations stated that the journey forms serve no useful purpose. Although 12 Member States indicated that they do not support abolishing the form the reasons provided are inconsistent with the experience in Denmark, Finland, Norway and Sweden who abolished the obligation of the journey form for operators that have their business establishment in their countries in 2003 and there have been no negative consequences for road inspections.

The estimated administrative burden of market entry for authorisation and journey form are provided in the table below:

Table 2-6: Estimates of the administrative costs of market entry

Process	Source of costs	Time	Comment
Authorisation	Resources used by operator to complete application	Three days	Based on stakeholder comments concerning need for translation and consultancy advice
	The delay in the reply to the application for authorisation	Two months	Stakeholders have indicated that elapsed time for approval can be four months but that two months would be more appropriate
	Resources used by national authority to process application	Five days	Elapsed time of four months suggests significant number of days' effort
Journey form	Time taken for operator/driver to complete journey form	Less than one hour	No reason to modify this estimate based on evidence to date
	Resources used by national authority on inspection	Five minutes – 10% of	Inspection time proportionate to time to complete the form. Inspection rate of 10% gives sufficiently high likelihood of inspection to encourage

[38] See https://ec.europa.eu/info/sites/info/files/xv9apassengertransport.pdf

		forms inspected	compliance

Source: Support Study for Impact Assessment 2016 Steer Davies Gleave

Some Member States have taken action to reduce the administrative burden. For example, the abolition of the use of journey forms in Nordic Member States. Operators or national authorities do not record the administrative cost systematically but there is extensive evidence that the costs incurred can be material and that administrative processes can delay entry for operators.

2.5.3. *Problem driver 3: Restricted access to key infrastructure*

Terminals provide connectivity to the network of coach services and serve as a place of interchange between coach services. They also act as an interface between the network of coach services and urban, rail, air or maritime networks. The provision of terminals in the EU is variable. Some Member States appear to expect or require the competent national, regional or local authorities to provide terminals whilst others have no systematic provision of terminals. There are several models of terminal ownership across the EU including ownership by national, regional and local government, by operators, by the railway infrastructure manager, by airports, privately and by other parties. In some Member States the terminal ownership is irrelevant, because the coach market is highly restricted or regulated and new coach services are not allowed to compete with existing services or operators are not permitted to operate domestic regular services.

The success of inter-urban services depends largely on the extent to which they connect with other modes of transport and the convenience of the connections provided. Access to terminals is a factor that limits competition in the market. There is evidence (collected during two 2016 studies[39,40]) that carriers face restrictions in access to key infrastructure are common and widespread with instances identified in 14 Member States[41]. The issue of equal access to terminals was investigated further during the targeted consultation exercise as there is a particular risk that access to terminals may be a barrier to entry if the company that manages the terminal is vertically integrated with one of the coach operators. Where the terminal operator is independent of the coach operator, it is more likely that they will treat operators equally, although this is not guaranteed and they may still face incentives to protect the largest operator. The evidence indicates that restrictions on terminal access are widespread and that they can materially impact on services.

Due to the decline in the coach market over an extended period the amount of terminal capacity has increased particularly in central and eastern European States, where rapidly increasing car ownership has reduced the demand for long distance coach travel.

However, there are still issues with access to terminals in other Member States. Experience in Germany, following liberalisation of the market for regular services, suggests that terminal access may become a problem after market opening when a rapid expansion of services puts pressure on available resources. A key issue is, where there are capacity restrictions, how is it decided to distribute slots between operators. This is

[39] Comprehensive Study on Passenger Transport by Coach in Europe, April 2016

[40] https://ec.europa.eu/transport/sites/transport/files/modes/road/studies/doc/2016-04-passenger-transport-by-coach-in-europe.pdf

[41] Belgium, Bulgaria, Croatia, Czech Republic, Finland, France, Germany, Greece, Ireland, Italy, Latvia, Slovakia, Sweden and UK

not always transparent, and coach operators have been refused access to terminals on the basis of capacity restrictions which were very unclear. The following table provides a summary of some of the issues raised by stakeholders including operators, regulators and ministries:

Table 2-7: Examples of restrictions on terminal access

Stakeholder	Remarks
ARAFER	Autorité de régulation des activités ferroviaires et routières cited a recent case in which it was required to resolve a dispute concerning access to Beauvais airport. Initially, the terminal operator failed to publish access rules, and while they were subsequently made available, ARAFER considered that they were poorly written and that the objective of the rules was open to question. At the time of writing there is an ongoing procedure, whereby ARAFER is investigating whether the terminal operator has breached its legal obligations.
ART	Autorità di Regolazione dei trasporti highlighted a general lack of terminal capacity in cities such as Rome and Torino. The terminals that are available are heavily congested and it is difficult for new operators to gain access. ART also suggested that the lack of a clear definition of terminals, setting out minimum standards for facilities, made it difficult to enforce access.
Ministry of Transport Greece	It is bringing forward a Presidential Decree defining mandatory standards for different categories of terminal to clarify the facilities that should be made available to operators. It also referred to the construction of a new terminal at Elleonas, consolidating the existing facilities at Kifisos and Liosia. This will provide capacity for international services, which are currently not permitted to use the inter-city terminals.
Ministry of Transport Slovak Republic	Cited a case recently referred to them in which an operator complained that a regional authority had refused to grant a licence because the city centre at one end of the proposed route was congested. The Ministry subsequently confirmed that the licence should be issued, but the example demonstrates how local restrictions can frustrate or at least delay market entry.
Ministry for Transport for Baden-Würtemberg	Observed that while there is no discrimination in terminal access in Germany, infrastructure designed for local public transport is not necessarily suited to longer distance transport services. The Supreme Building Authority within the Bavarian Ministry of the Interior also noted that local authorities must be permitted to determine how the facilities that they owned were used to further their own transport objectives.
Megabus	Confirmed that it preferred to use terminals rather than on-street stops, particularly when passengers require inter-modal transport links. It noted that it had experienced difficulties in gaining access to terminals owned and managed by railway operators, citing Trenitalia's refusal to provide access to the terminal in Padua by way of example. They also observed that there is no terminal in Brussels and that the city centre is reserved for tourist coaches.
Ouibus	Noted difficulties in obtaining access to terminal facilities as well as on-street stops in some French cities, and indicated that in some cases coaches had effectively been prohibited from operating to city-centre locations.
National Express	Observed that there are generally insufficient public terminals across Europe, and that several major cities including Amsterdam, Paris and Brussels do not have any public terminals. In Austria, terminals tend to be owned by the rail operator and requests for access can be refused, while in France they are increasingly being located outside of city centres. Competitors are generally unwilling to share their terminals and they are anyway frequently capacity constrained.

Source: Support Study for Impact Assessment 2016 Steer Davies Gleave

There is considerable evidence[42] that discrimination is a common problem in the EU and occurs where terminal facilities are both privately and publicly owned. Discriminatory behaviour in relation to privately owned terminals is more difficult to challenge from a policy perspective, since the business case underpinning private sector investment may depend on a single operator having exclusive use of the available capacity. Regulations having the effect of providing a right of access to third parties whether set at the European Union or national level could therefore have the effect of discouraging such investment. For this reason, concerns about discrimination relating to privately owned terminals are arguably better addressed through competition policy, whereby the relevant authorities can assess the merits of particular actions on the part of terminal owners' case-by-case.

By contrast, discriminatory behaviour by the operators of publicly owned terminals is more difficult to justify, since the underlying investment is more usually driven by recognition of the importance of providing appropriate facilities to support good quality public transport services within a country, region or city. Moreover, public terminal facilities are often provided to ensure that passengers can interchange between transport modes, an important consideration in the planning of many coach services.

The cases above, amongst others, demonstrate a variety of impacts that discriminatory behaviour can have on carriers including: refusal to grant access on competitive terms can prevent a competitor from introducing a new service on a given route; a decision by a terminal owner to allow access to a single preferred supplier can have the effect of displacing even an established competitor; and a decision by an incumbent bus and coach operator to vacate a terminal in favour of a new facility can have the effect of undermining the services of competitors who remain. They also demonstrate that in the absence of applicable rules the time taken to reach a decision on cases involving abuse of a dominant position and anti-competitive behaviour can take a number of years, particularly if challenged in court.

In the OPC, 81% of the 32 operators stated that discrimination against new entrants in providing access to terminals is a problem resulting in administrative costs for operators but it has not been possible to quantify the costs.

In addition to the evidence gathered during the targeted consultation indicating that the restrictions are widespread and that they have a material impact on the services provided to operators and passengers, operators also reported that the various different structures of ownership and the regulation of terminals across Member States make it difficult for them and cause an unnecessary administrative burden. They find it difficult determine who to contact, how capacity will be allocated, and how they will be charged by the terminal operators across Member States.

Finally, there are two other root causes to the driver of restricted access to key transport infrastructure: constrained terminal capacity; and restrictions on access to city centre locations. At this stage, the Commission is not proposing to address these issues as the question to what extent it is competent to do so first needs to be clarified. Transport is a shared competence between the Union and the Member States and subsidiarity considerations may come to play here. The Commission has launched a study on urban

[42] See IA Support Study Table 3.3

vehicle access restrictions (which should be available in autumn 2017) and, based on its results, it will assess whether it is necessary to propose measures in this area or not.

2.6. Who is affected by the problem, in what ways, and to what extent?

The excessive administrative costs, restricted access to national inter-urban markets and restricted access to key transport infrastructure have a direct or indirect impact on the following stakeholders:

Citizens / passengers: face an inferior offer of services in terms of availability, cost, quality and reliability. Regular services are not always adapted to meet passenger demand. They are not fully benefiting from the affordable mobility offered by inter-urban bus and coach services; in particular those who suffer transport disadvantage suffer disproportionately and are more likely to experience reduced mobility. They are unable to purchase end-to-end tickets to improve their access to employment, education and leisure opportunities across the EU. Where coach and bus services are not available citizens are also affected by worse air quality due to the on average higher emissions from other inter-city passenger transport modes (except electric rail) and in particular from car.

Road passenger transport operators: new entrants face a patchwork of regulatory requirements including restrictions or prohibitions on market entry and lose business opportunities. Incumbent operators remain protected and gain business opportunities with little or no incentive to innovate.

Terminal operators: may continue to provide specific carriers with discriminatory access giving them a competitive advantage on certain services, preventing effective competition between carriers and constraining the development of an integrated coach network.

Road passenger transport workers: have a key interest in working conditions, pay and employment conditions, health and safety in the workplace, training and professional careers**.**

Public authorities – the problems affect the manner in which national competent authorities interact with road passenger transport undertakings and terminal operators. The problems also affect how public authorities provide for inter-urban passenger transport e.g. commercially or in the general economic interest through PSCs.

2.7. What is the EU dimension of the problem?

One of the Europeans Unions main transport policy objectives is to improve travel possibilities across Europe and ensuring high-quality transport services for its citizens. In that context one of the primary objectives of Regulation 1073/2009 is to increase the level of performance of international coach and bus services. There is evidence[43] that the opening of national markets for regular services by coach and bus has created a critical mass of operators who also introduce international services, resulting in a greater impact on the number of international routes and service frequencies than pan-European legislation alone. This suggests that further opening of national markets would strengthen the development of the international market for regular services, quite apart from any benefits for passengers making national journeys.

[43] Comprehensive Study on Passenger Transport by Coach in Europe, Steer Davies Gleave, April 2016,

The problem drivers mentioned in the previous section are mainly due to the possibility of Member States to adopt their own rules and restrictions with regard to access to their national market for regular services. The different national approaches and the restrictions in access to terminals constitute a barrier to the free movement of services in the field of transport which is one of the goals of the Common Transport Policy. This affects the effectiveness of the Internal Market in the field of passenger transport by road.

Carriers have been unable to compete fully in national inter-urban transport markets. This has limited the sectors ability to grow market share relative to other modes. It has prevented the development of a fully integrated market for inter-urban travel by bus and coach, resulting in poor connectivity from some citizens, particularly those with limited access to a private car or rail services. EU citizens have access to a poorer (in terms of accessibility, frequency, price, comfort) than optimal mobility offer which affects the free movement of persons in the EU. Indeed, while national restrictions on paper only affect domestic transport, in reality domestic and cross-border connections are interlinked and in turn integrated with other modes of transport to collectively constitute the available passenger mobility offer inside the EU. Hence restrictions on domestic coach services and access to terminals have far reaching consequences on the functioning of the passenger transport sector in the whole EU and across all transport modes.

In the absence of harmonised rules at EU level, carriers operating in the EU regular services are faced with excessive administrative costs of entry, a patchwork of access rules and in discrimination in access to terminals. Simplifying administrative procedures, removing restrictions on access to inter-urban markets through a harmonised legal framework across the EU and preventing discriminatory access to public terminals would contribute to solving the issues identified and facilitate inter-urban mobility for all citizens by promoting coach travel.

2.8. How would the problem evolve, all things being equal?

This section analyses how the problem would evolve, assuming the continuation of existing policies and the implementation of already planned policy reforms. There is no indication that Member States will introduce changes to existing provisions. However, Member States will have witnessed the increase in passengers carried, total passenger km, employment levels and the density of the network of coach services along with lower fare prices in recently liberalised markets for national regular services (e.g. France, Germany, Italy and Poland). In the absence of EU action some Member States may be prompted to liberalise their markets according to different principles to improve efficiency.

In the absence of further EU action, Member States may continue to maintain restrictions on market and route access or excessive requirements e.g. the requirement of local establishment. All things being equal and in the absence of any further liberalisation measures at the EU or national level, it is estimated that by 2035, around 26% of the market (equivalent to 108 billion pkm) will be subject to restricted access due to reliance on concessions or direct restrictions on market access. There will also be restrictions to market access for new entrants in the remaining 74% of the market that has to some extent liberalised but continue to impose various restrictions, for example in order to protect public services operated under PSCs.

The network of coach services will not expand and develop as operators will continue failing to penetrate into restricted markets. There will continue to be a clear distinction between international regular services and national regular services for inter-urban travel.

In restricted markets service frequencies are likely to continue to be low and passengers will continue to have a poor choice of combinations of fares and service quality. Citizens who are sensitive to the price of transport or who live in areas where restricted markets have blocked the penetration of the network of coach services will suffer disproportionately. They are more likely to experience reduced mobility; this is especially the case for those with little or no access to other modes. The reduction in mobility hampers their access to employment, education and leisure opportunities.

There are other potential developments described in table 2-8 which could have significant implications for coach travel. It is difficult to quantify the impacts of these developments on the bus and coach sector with any confidence, since their effect depends on a wide range of uncertain factors such as economic conditions across Europe, the extent of cost changes driven by new technology, changing attitudes to the application of technology among both the travelling public and transport employees, and policy responses at the local, regional, national and European level. The table below provides commentary on possible implications for bus and coach services should the technological development be implemented.

Table 2-8 - Possible impacts of new technology on the bus and coach sector

Technological development	Possible impacts
Autonomous vehicles	• 'Platooning' of vehicles on motorways and other major roads could improve efficiency, reducing coach service fuel costs and emissions • Could enable increase in operational hours of vehicles • May enhance the attractiveness of travel by private car, for example by relieving congestion and improving journey quality
Alternative fuels	• Likely to reduce the carbon footprint of coach operations as well as other forms of road travel • Could change the relative costs of different types of operation, for example enabling the development of smaller fleets offering on-demand services (based on further development of the BusUp model) • May strengthen the attractiveness of travel by private car by reducing costs
New operating models	• May enable service users to pay a single subscription fee allowing them to access a wide range of transport services, reducing the benefits of a private car relative to public transport • Analysis of data about user choice and local conditions would allow coach operators to develop more user-focused services, operated to accommodate real time traffic constraints • Would support improved on-board service offer, including entertainment and services supporting more effective working on the move
Integrated transport	• Better real time coordination of coach and other transport services and more extensive availability of integrated tickets/electronic payment

Source: Support Study for Impact Assessment 2016 Steer Davies Gleave

The developments under current trends and adopted policies (i.e. baseline scenario) in inter-urban coach transport activity, energy use and CO2 emissions, as well as revenues and employment in the sector by 2030 are shown in the table below, assuming the

continuation of existing policies. The development of the baseline scenario[44] is described in detail in Annex 4 *"Analytical models used in preparing the impact assessment"*, together with the underlying assumptions.

Table 2-9: Baseline projections for inter-urban coach transport to 2030

Projections for 2030	Type of national market				Total	Total average annual change 2015 – 2030 (%)
	Liberalised	Transition	Concessions	Non-liberalised		
Passenger km (billions)	99	383	68	39	**589**	2.5%
Vehicle km (billions)	6	16	5	3	**30**	1.9%
Revenue (€ billions)	14	45	8	5	**73**	2.8%
Employment (000s)	181	681	105	51	**1018**	3.3%
Energy use (000 toe)	1,499	3,640	1,121	622	**6,882**	1.3%
CO2 emissions (000 t)	4,203	10,349	3,204	1,763	**19,519**	1.1%
Accident costs (€ millions)	309	517	110	48	**985**	-1.6%

Source: Support Study for Impact Assessment 2016 Steer Davies Gleave

It is estimated that continued discriminatory behaviour in relation to terminal access could unduly constrain terminal capacity supporting some 1.5 billion vehicle kilometres and could result in the suppression of around 400 million vehicle kilometres.

As mention in Section 2.5.2, the administrative costs incurred by operators can be material and administrative processes can delay entry. It is clear that even the requirements for authorisation of international services vary significantly by Member State and nothing indicates this will change. It is estimated that the total administrative costs on the coach sector is €884 million in 2015 (with 2/3 falling on operators and 1/3 falling on government and/or regulatory bodies), rising to €1,288 million in 2030[45].

3. WHY SHOULD THE EU ACT?

3.1. Legal Basis

[44] The Baseline scenario builds on an update of the EU Reference scenario 2016 but additionally assumes the implementation of the reform of the national regulatory frameworks for buses and coaches in Germany, France, Italy and Poland. The updated EU Reference scenario 2016 includes some updates in the technology costs assumptions (i.e. for light duty vehicles) and few policy measures adopted after its cut-off date (end of 2014) like the Directive on Weights and Dimensions, the 4th Railways Package, the NAIADES II Package, the Ports Package, the replacement of the New European Driving Cycle (NEDC) test cycle by the new Worldwide harmonized Light-vehicles Test Procedure (WLTP). It has been developed with the PRIMES-TREMOVE model (i.e. the same model used for the EU Reference scenario 2016) by ICCS-E3MLab. A detailed description of this scenario is available in the Impact Assessment accompanying the Proposal for a Directive amending Directive 1999/62/EC on the charging of heavy goods vehicles for the use of certain infrastructures, SWD (2017) 180

[45] [Support study for an Impact Assessment for the revision of Regulation (EC) No 1073/2009, Steer Davies Gleave]

The right of the EU to act in the field of transport is set out in the TFEU (Treaty on the functioning of the European Union). According to Article 4 TFEU, transport is one of the principal areas where shared competence between the Union and the Member States applies.

The competence for this initiative derives from Title VI (Transport) of the TFEU, in particular Article 91 which states, *inter alia*, that the European Parliament and the Council shall lay down common rules applicable to international transport to or from the territory of a Member State, or passing across the territory of one or more Member States, as well as the conditions under which non-resident carriers may operate transport services within a Member State. The applicability of Title VI to road transport is stipulated in Article 100 TFEU.

As far as public service contracts are concerned, the measures considered under different PSC options in this IA are geared towards providing flexibility to Member States. Article 14 and Protocol 26 of the Treaty confirm the place occupied by services of general economic interest in the shared values of the Union. Under Article 106(2) of the Treaty on the Functioning of the European Union (TFEU), companies that provide services that are of general economic interest are subject to the rules of the Treaties, in particular to the rules governing competition. But unlike other economic sectors, this Article does not apply when compensation is paid for public service obligations in land transport. Instead, this type of compensation is covered by Article 93 TFEU as a 'lex specialis' and is applied according to the rules of Regulation 1370/2007 on public passenger transport services by rail and by road[46]. It is not proposed to make any amendment to Regulation 1370/2007 and Member States can continue to act to ensure that services of general economic interest continue to be provided. In this respect, the initiative presented will not go further than allowed by the Treaty and will not impinge upon Member States' right to specify public service obligations underlying to PSCs.

3.2. Subsidiarity

In accordance with Article 5(3) of the Treaty on European Union (TEU) any EU action should respect the principle of subsidiarity. This involves assessing two aspects.

3.2.1. *Necessity test*

The necessity test assesses if the objectives of the proposed action can be sufficiently achieved by Member States. The legitimate rights of Member States to take actions which reflect their local, regional or national specificities, must not unduly restrict the proper functioning of the internal transport market.

EU transport policy has always focused on overcoming obstacles between Member States and creating a single European transport area with fair competition conditions for and between the different forms of transport. This means not only dismantling cross-border barriers but also integrating national markets in order to complete the internal market for transport.

Across the EU there is a patchwork of rules for access to national markets for coach and bus services. Carriers are required to comply with different rules in each Member State in which they operate. These rules include restrictions on access to national inter-urban

[46] OJ L 315, 03.12.2007, p. 1.

markets which constrains carriers' ability to develop services into pan-European coach networks and denies them the possibility to offer integration with other coach services and transport modes.

The past has shown that Member States action at the national or lower level (Article 25 of the Regulation enables Member States to agree bilaterally or multilaterally to further liberalise services) has not been sufficient to tackle the identified problems. Furthermore, Member States acting alone cannot introduce or ensure the coherence and coordination of uniform market access rules needed for the emergence of a genuine internal market for road passenger transport. It is therefore necessary to provide rules at the EU level.

3.2.2. *EU added value test*

The EU added value test assesses if the objectives of the proposed action can be better achieved at Union level.

Since the 1980s, the EU has elaborated a framework of common rules and procedures intended to open the European road transport market to competition. The approach has been consistent with the objective of developing Europe's transport sector and the EU is best-placed to lay down common rules for the road passenger transport market that guarantees carriers access to operate throughout the EU without discrimination. The envisaged revision of the regulatory framework will streamline the national differences in market access rules and provide carriers with predictable business conditions throughout the EU, therefore removing distortions of competition and barriers to market access as well as providing the ground to strengthen the internal market.

The envisaged revision should have an immediate and strong positive impact on the level of accessibility for EU citizens some of whom will have access to an affordable mobility offer for the first time. Additionally, but over the longer term, it will have a positive impact on the external costs of transport due to the expected modal shift. The beneficial effects of the modal shift from car and air together are greater than the negative environmental impact associated with the generation of new traffic and the substitution of some rail use in favour of coach travel. The performance of coach and rail combined is improved leading to an increase in the modal share of sustainable transport modes.

The envisaged revision should lead to an increase in inter-urban travel with the benefit of not having any adverse impact on the environment. It will facilitate the mobility of citizens who otherwise could not afford to travel. It will reduce the negative externalities of inter-urban passenger transport, such as emissions, accidents and fatalities, road congestion as well as to improve the efficiency of use of transport resources.

Furthermore, the introduction of measures to ensure a level playing field in the allocation of terminal capacity should lead to an uplift in capacity that is unduly suppressed by discriminatrory behaviour in access to terminals.

The EU is by far the best placed to act to achieve an accessible and competitive inter-urban coach passenger sector and a true internal market for road passenger transport as these cannot be better achieved at national level. The proposal does not aim at total liberalisation of domestic services and Member States may still limit the right of access to national markets for regular services if a commercial service would compromise the economic equilibrium of a public service contract.

4. WHAT SHOULD BE ACHIEVED?

4.1. General policy objective

The proposed revision of Regulation 1073/2009 aims to resolve the problems of operators facing obstacles in national markets to develop inter-urban coach services and the low share of sustainable transport modes. The initiative aims at a proportionate response to national obstacles to market entry whilst avoiding excessive intrusion into the national markets.

Therefore the 2 general objectives (**GOs**) of the proposed revision have been defined as follows:

GO1: Facilitate inter-urban mobility and connectivity for all citizens

GO2: Increase the modal share of sustainable transport modes

The GOs cover both national and international regular services, reflecting the potential for operators to provide both kinds of services as part of an integrated European route network.

It is in line with the political priority of the Commission for the period 2014-2019 to create a fairer and deeper internal market and strengthened industrial base.

It is also in line with the 2011 White Paper which foresees an efficient single transport area for multimodal intercity travel and transport, and recognises the need for the greater use of bus and coaches and the requirement to link the modal networks so they provide better modal choices for passengers.

4.2. Specific objectives

To achieve the GO the following 3 specific objectives (SO) have been developed. The SOs align with the three problem drivers defined in section 2.5.

SO1: Simplify administrative procedures

This SO aims to address the problem of excessive administrative costs of entry, defined in section 2.5.2, by clarifying and simplifying administrative procedures including the procedure for authorising regular services.

SO2: Remove restrictions on access to inter-urban markets

This SO aims to address the problem of restricted access to national inter-urban markets, defined in section 2.5.1, by removing legal barriers to market access and stimulating competition in the national inter-urban markets.

The majority of respondents to the OPC considered that establishing a common framework in the EU for access to national markets for regular services would contribute to improving the market for coach services (65%).

SO3: Prevent discriminatory access to public terminal facilities

The SO aims to address the problem of restricted access to key infrastructure, defined in section 2.5.3, by requiring Member States to grant operators access rights to public terminal infrastructure on fair and non-discriminatory basis for the purpose of operating regular services.

The majority of respondents to the OPC considered that operators should have a level playing field in access to terminals (70%) and the majority of Ministries/Regulators that responded to the targeted stakeholder questionnaire supported establishing common requirements to ensure that access to coach

terminals is fair and non-discriminatory. Seven of those responding (35%) supported the proposal.

The SOs should be mutually reinforcing, such that interventions designed to ensure that they are met can be expected to improve the competitiveness of the sector through a series of interacting impacts. For example, removing restrictions on access to inter-urban markets could be expected to reduce the administrative costs of entry by simplifying procedures as well as removing direct restrictions on market access.

5. WHAT ARE THE VARIOUS OPTIONS TO ACHIEVE THE OBJECTIVES?

The stakeholder consultation, the expert meetings, independent research and the Commission's own analysis have allowed the Commission to identify different policy measures, which served as a basis for the identification of a wide set of policy options. These options have been considered in order to address the problem drivers and the three specific objectives. Although the three problem drivers contribute to the overall problem, one problem driver will be treated separately from the other two[47].

The assessment leading to the choice of an overall policy option addressing the main problems has be broken down into two assessments leading to the choice of two sets of policy options:

- the first set of policy options on market access addressing SO1 and SO2; and
- the second set of policy options on terminal access addressing SO3.

Then a separate assessment and comparison of the two different sets of policy options is performed and a preferred policy option from each set of options is selected. Finally, an assessment of cumulative effects for the combined two preferred policy options is performed.

The following process was applied for establishing the policy options:

- identify an extensive list of policy measures addressing the problems (considered policy measures);
- as a result of this initial screening, a number of policy measures were discarded from the initial analysis (see Annex 6 for the list of measures and the underlying justification).
- consider policy measures which are retained after a preliminary assessment; and
- identification of possible policy packages.

5.1. Retained policy measures

Driver 1 – Excessive administrative costs of entry

No.	Policy measure	Description
1	Standardise the authorisation procedure	This measure aims to simplify and standardise the procedure for the authorisation of regular services. There is a standardised authorisation procedure for international regular services but the authorisation procedures for national

[47] The policy option to address "Restricted access to key transport infrastructure" or SO3 is not interlinked and the geographical scope of the effect is different to the choice of a policy option to address "Excessive administrative costs of entry" or SO1 and "Restricted access to national inter-urban markets" or SO2. Action in the former area need not imply action in the other and considering the two areas separately was considered optimal.

No.	Policy measure	Description
		regular services vary widely across Member States.
2	Abolish the journey forms for occasional services	This measure aims to simplify the operation of occasional services by removing the requirement to complete a journey form for occasional international services. This measure will reduce regulatory costs by eliminating the administrative costs for operators and national authorities.

Driver 2 – Restricted access to national inter-urban markets

No.	Policy measure	Description
3	Clarify the meaning of "Cabotage operations shall be authorised…".	This measure aims at clarifying how cabotage operations are authorised.
4	Extend the scope of the Regulation to include national markets, subject to authorisation	This measure aims to open access to national markets for regular services and simplify the authorisation procedure. Member States would be able to reject an application for an authorisation if the new service would compromise the economic equilibrium of an existing public service contract. *During the targeted consultation 6 Member States reported that they did not support this measure and the reasons given were concerns about unfavourable impacts on coach sector employees (in Bulgaria and Estonia), the potential adverse impact on services operated as PSOs (Germany and Ireland), safety (Italy) and inconvenience (Spain). The difference in views of these stakeholders does not appear to reflect the differences in the market liberalisation as described in table 2.4 but rather reflect each Member States unique national regulatory system.*
5	Require access to national regular services markets without discrimination	This measure aims to ensure that carriers from all Member States be guaranteed access to national markets for regular services without discrimination on grounds of nationality or place of establishment. The fact that a carrier is established in another Member State shall no longer constitute justification for rejecting an application for authorisation.
6	Set common requirements for the protection of PSCs	This measure aims to ensure that Member States are permitted to take action to protect all public passenger transport services covered by PSCs from competition. Member States may limit the right of access on services that are covered by one or more public service contracts if the service would compromise the economic equilibrium of a public service contract.
7	Set common requirements for the protection of PSCs meeting the needs of an urban area	This measure aims to ensure that Member States are permitted to take action to protect all public passenger transport services covered by PSCs meeting the needs of an urban centre or conurbation, or transport needs between it and the surrounding area. An automatic authorisation procedure shall apply to services carrying passengers 100km or more. Member States may limit the right of access on services that carry passengers less than 100km if the proposed service would compromise the economic equilibrium of a public service contract. *Of the 20 Ministries or regulators that replied, five (Bulgaria, Finland, France, Ireland and Portugal) supported a set of common requirements, as this would help to create a more level playing field. All the Member States that supported this measure have already opened national markets. Six (Estonia, Italy, Latvia, Slovakia, Spain and the UK) maintain that the protection of PSOs is outside the scope of Regulation 1073/2009 and should be addressed through Regulation 1370/2007. Although these six Member States share the same view on the*

No.	Policy measure	Description
		protection of PSO's the regulatory status in each of their national markets is different.
8	Abolish the authorisation procedure	This measure aims to abolish the need for an authorisation for regular services carrying passengers over distances of 100km or more. Regular services would be fully liberalised along the same lines as occasional services. This measure would also address driver 1 as the time consuming authorisation procedure would no longer be required and administrative and compliance costs would be reduced.

Driver 3 – Restricted access to key transport infrastructure

No.	Policy measure	Description
9	Define a coach terminal	This measure aims to provide the meaning of the term terminal. Terminals are not yet defined in EU legislation and a definition would be a necessary precursor to any action related to access to them.
10	Encourage coach terminal operators to provide access	This measure aims to encourage coach terminal operators to provide access to carriers operating regular services on fair and non-discriminatory terms. This should be done by guidelines/recommendations.
11	Encourage the publication of conditions of use	This measure aims to encourage the publication of conditions of use to provide operators with transparency on how they will be treated by terminal operators.
12	Require the European Commission to report on market opening	This measure aims to provide the European Commission with evidence of the scale, incidence and duration of terminal access disputes. It may be advantageous to expand the evidence base before further intervention to specify proposals for the addition of capacity or the resolution of disputes.
13	Require Member States to grant non-discriminatory access	This measure aims to require Member States to grant carriers access rights to terminal infrastructure on fair and non-discriminatory terms for the purpose of operating regular services.
14	Require the publication of conditions of use	This measure aims to require the publication of conditions of use to provide operators with transparency on how they will be treated by terminal operators.

5.2. Identification of possible policy packages

The policy packages have been defined so as to reflect an increasing level of regulatory intervention and entailing an increasing level of expected impacts. They are cumulative, in the sense that all measures in PO1 are also part of PO2, which itself includes further measures, and so on. This is intended to facilitate and structure the analysis of the impacts, given the large number of measures which must be assessed. They have been defined in a way to show the expected outcomes of increasing levels of regulatory intervention.

5.3. Identification of a list of market access policy options

The retained market access policy options to address SO1 and SO2 are:

PO0 - Baseline
The Regulation would continue to apply in its present form. No new measures applied.
PO1 – Open access to the market for regular services with the possibility to refuse authorisation if the economic equilibrium of a PSC is compromised

Policy Measure Numbers: 1, 2, 3, 4, 5 and 6.

This option would provide common market access rules for inter-urban regular services. It would simplify and standardise the authorisation procedure. The option would reduce costs by standardising the authorisation procedure throughout the EU; make the procedure more transparent; as well as reducing the number of grounds for refusal. Member States will be able to protect all public service contracts by limiting the right of access if the proposed service would compromise the economic equilibrium of an existing public service contract. As this option does not aim at total liberalisation of the domestic market it will still be possible for Member States to intervene in areas where regular services cannot be operated on a commercial basis.

It would abolish legal monopolies, national establishment requirements and eliminate any special protection of other transport modes granted by Member States on inter-urban routes.

It would reduce the administrative burden by standardising and simplifying the authorisation procedure for national regular services and abolishing the journey form for occasional services.

In practice this would provide a common procedure for authorising national and international regular coach and bus services. Under this option Member States would have the option of limiting the right of access to the market where the new service would compromise the economic equilibrium of an existing public service contracts providing any public passenger transport service. To determine if a PSC may be compromised an independent body should make the decision to grant, refuse or limit the service on the basis of an objective economic analysis, following a request from the competent authorities that awarded the public service contract or the public service contract operator. The new independent body is proposed to ensure the impartiality and objectivity of the economic analysis and should function in a way which avoids any conflict of interests and any possible involvement in the award of the public service contract under consideration. The procedure and criteria to be followed when determining whether the economic equilibrium of the PSC is compromised by a new service should be in line with test carried out by regulatory bodies in other transport modes, EU Law and the principles of equality and non-discrimination. . If no request for a test is submitted within the deadline, the authorisation would be granted. If there is a request for the test the entity making the request would be required to provide the independent body with the information required to conduct the test. The independent body would assess whether the economic equilibrium of a public service contract would be compromised by the proposed new service. Member States will not be obliged to introduce a new independent body but will be free to use an already established body. The body will only incur costs if it is requested to conduct a test but as the required information is provided by other entities the cost of the test for the independent body will be minimal. The independent bodies would be required to develop a consistent methodology that would be clear, transparent and non-discriminatory. The analysis would focus on the economic impact of the proposed new service on the public service contract as a whole, not on individual services operated under it, over its entire duration. The economic equilibrium of a public service contract would generally be considered as compromised if the proposed new service has a substantial negative impact on the profitability of services operated under the public service contract, and/or the net cost for the competent authority awarding the public service contract. The independent body may grant the authorisation, refuse the authorisation or indicate possible changes to the proposed service that would ensure that the conditions for granting the authorisation are met, and give the opportunity to the applicant to adjust its application for authorisation accordingly.

This method of regulating the interaction between commercial services and PSCs is similar to the method employed currently in Regulation 1073/2009 for international regular services. It is not possible to determine how new services would affect PSC's in all the non-liberalised Member States but under this option the relationship between inter-urban (commercial) services and urban (usually operated under PSC and subsidised) services is clearly defined and the commercial service will only be permitted if it will not compromise the economic equilibrium of a PSC. There is no evidence to indicate that this method of regulating the relationship with PSCs has been problematic. However, there is the risk that operators are not provided with sufficient flexibility to address demand and provide services where they are needed.

The extension of the scope of the legislation to include national regular services under this option

is not supported by 6 Member States for

PO2 – Open access to the inter-urban market for regular services over distances of 100km or more. Authorisation can be refused if the economic equilibrium of an urban PSC is compromised

Policy Measure Numbers: 1, 2, 3, 4, 5 and 7.

This option differs from PO1 in the approach taken to protect public service contracts and the extent of the REFIT intervention. It would simplify and standardise the authorisation procedure for national and international regular services and change the grounds for refusal. Similar to PO1, this option does not aim at total liberalisation of the domestic market. In this case Member States will be able to intervene in areas where commercial services may compromise the economic equilibrium of certain PSC's. The opening of a new coach line could no longer be refused if the service carries passengers more than 100km. The 100km threshold enables Member States to take action to protect urban transport services covered by PSCs from competition. The extent of the REFIT intervention is increased as the authorisation regime becomes faster, more transparent and effectively lowers the barrier for new market entrants. It provides operators with more certainty when assessing whether a new coach line is acceptable or not. It reduces the administrative burden on operators through simplification and standardisation of the authorisation procedure. There is no longer a requirement to get agreement from authorities in all Member States in whose territories passengers are picked up and set down.

In practice this would provide a common procedure for authorising national and international regular coach and bus services. New entrants would apply for authorisation to commence a new service. If the new service is carrying passengers over distances of 100km or more the authorisation is automatically granted. If the new service is carrying passengers over a distance of less than 100km competent authorities or the operators of a PSC would have a defined time to request an economic equilibrium test which would be conducted by an independent body in the same way as PO1.

This method of regulating the interaction between commercial services and PSCs is employed in a number of Member States including Germany, France, Italy and in the past in the UK and Sweden. It is not possible to determine the future relationship between commercial and PSC services in all non-liberalised Member States. However, the distance threshold will clearly define the relationship between inter-urban (commercial) services and urban (usually operated under PSC and subsidised) services. There has been no evidence to indicate a problematic relationship between commercial services and PSC services in any of the Member States that have opened market access using a similar framework but there is some anecdotal evidence from Germany that rail has lost many customers to coach with twice as many coach passengers (30%) coming from long-distance trains as from local or regional trains (14%) but the German Ministry suggests that the loss of rail passengers is likely to be effected by other factors such as rail strikes, floods on lines and decreasing supply.

The model to compensate public service operators for the operating a public passenger transport service under PSC that involves compensation from public authorities in the form of granting exclusive rights to provide services on a profitable route, in such a way that profits for the provision of the service cross-subsidise other non-profitable services imposed on the service provider appears to be more challenged under this option. This model is used both in railways (for instance in the United Kingdom) and in coaches (for instance in Spain). Such a model relies on the existence of a monopoly in the profitable service, and weak competition from other transport modes, as otherwise it would not be possible to extract the necessary rent from the profitable services to cross-subsidise the other services[48]. The new services would introduce competition in the long distance market and a threat to this model of PSO funding. It is likely that new services would "cherry-pick" the profitable lines and as the PSO operator loses revenue from the profitable services this model of public intervention becomes challenged and new financing

[48] See: http://www.europarl.europa.eu/RegData/etudes/STUD/2017/601970/IPOL_STU(2017)601970_EN.pdf

models may be required.

PO3 – Open access to the inter-urban market for regular services without an authorisation process for regular services carrying passengers over distances of 100km or more

Policy Measure Numbers: 2, 3, 4, 5, 7 and 8.

This option differs from PO1 & PO2 in that all regular services that carry passengers over distances of 100km or more would be fully liberalised and there would be no authorisation procedure for these services. The existing time-consuming national and international authorisation procedures would no longer be necessary and the principle of free competition would apply. This removes the complexity, delay and cost associated with an authorisation regime resulting in a reduction of administrative and compliance costs. As the authorisation procedure is abolished enforcement would have to focus on rules on access to the profession or on road safety. In the absence of an authorisation procedure the Member State of establishment would have a vital supervisory role in this new regime and the investigations during the application procedure for a Community licence (or the certified true copies) would replace the investigations carried out in the current authorisation procedures. As such, host Member States would rely on Member States of establishment to carry out controls and would be deprived of direct enforcement possibilities. As a result of the inclusion of the measure to abolish the authorisation procedure for this option would have substantial benefits in terms of reduction of administrative burden.

In practice new entrants would not have to apply for authorisation to commence a new service carrying passengers over distances of 100km or more but they would have to notify the competent authority before commencing, ceasing or altering operation on a route. Similar to PO1 and PO2, this option does not aim at total liberalisation of the domestic market. In this case Member States will also be able to intervene in areas where commercial services may compromise the economic equilibrium of certain PSC's. If the new service is over a distance of less than 100km authorisation would be required and competent authorities or the operators of a PSC would have a defined time to request an economic equilibrium test which would be conducted by an independent body in the same way as PO1.

The method of regulating the relationship with PSC's under this option is the same as under PO2.

The three ways in which the needs for authorisations are proposed to be reduced further along with the protection of PSC are set out in the following figure.

Figure 5-1: Approaches to reducing the requirement for authorisations and the protection of PSC's

	PO1	PO2	PO3
100km or more	• Authorisation applies • Authorisation can be rejected if it compromises a PSC	• Authorisation applies • No protection of PSC	• Authorisation cannot be required • No protection of PSC
Less than 100km	• Authorisation applies • Authorisation can be rejected if it compromises a PSC	• Authorisation applies • Authorisation can be rejected if it compromises a PSC	• Authorisation applies • Authorisation can be rejected if it compromises a PSC

5.4. Identification of a list of terminal access policy options

The retained terminal access policy options to address SO3 are:

PO4 – Soft Regulation and report

Policy Measure Numbers: 9, 10, 11 and 12.

This would establish guidelines or recommendations on access to terminals. The guidelines or recommendations would include a definition of a coach terminal as it is not yet defined in EU legislation. The definition would address barriers to entry in the form of access to terminals.

They would encourage operators and managers of terminal infrastructure to provide access to carriers operating regular services on fair and reasonable grounds and without discriminatory between operators. In practice it is expected that the operator or manager of a terminal would grant access to and use of a coach terminal to all carriers on the same terms. It would be considered fair and reasonable for an operator or manager of a terminal to refuse access to a terminal if there is no available capacity.

They would encourage the operators and managers of terminals to make available the conditions of use of the terminal which shall include at least:

- list of the services provided with prices
- rules for scheduling the allocation of capacity
- current capacity allocation, and
- current timetable.

The conditions of use would be published in two official languages of the EU and made available free of charge from the operator or manager of the terminal and the competent authority. The conditions of use would also be displayed in the terminal, where they have websites, on the websites of the operator or manager of the terminal and the competent authority.

The guidelines or recommendations would also encourage that decisions on applications for access are taken within a specified time after the date of application.

The European Commission would report on the effects of market opening after a period of time during which it is expected that overall demand for access to terminal infrastructure would either have reached a plateau or peaked and begun to decline.

PO5 – Equal access rules

Policy Measure Numbers: 9, 12, 13 and 14.

This would define a terminal in legislation. It would require that operators and managers of terminal infrastructure to grant access to carriers operating regular services on fair and reasonable grounds and without discriminatory between carriers. In practice operators or managers of a terminal would be required to grant access to and use of a coach terminal to all carriers on the same terms. It would be considered fair and reasonable for an operator or manager of a terminal to refuse access to a terminal if there is no available capacity.

Operators and managers of terminals would be required to make available the conditions of use of the terminal which shall include at least:

- list of the services provided with prices
- rules for scheduling the allocation of capacity
- current capacity allocation, and
- current timetable.

The conditions of use would be required to be published in two official languages of the EU in line with existing international practices[49] and made available free of charge from the operator or manager of the terminal and the competent authority. The conditions of use would also be displayed in the terminal, where they have websites, on the websites of the operator or manager of the terminal and the competent authority.

Decisions on applications for access would be required to be taken within a specified time after the date of application. Member States would be required to ensure that carriers have the capability to appeal negative decisions.

The European Commission would be required to report on the effects of market opening after a period of time during which it is expected that overall demand for access to terminal infrastructure would either have reached a plateau or peaked and begun to decline. It would ensure undertakings can appeal negative decisions by requiring Member States to ensure that they have

[49] For example see Directive 2012/34/EU of the European Parliament and of the Council of 21 November 2012 establishing a single European railway area Text with EEA relevance, recital 34.

the possibility to appeal decisions refusing access to at least on independent and impartial body.

6. WHAT ARE THE IMPACTS OF THE DIFFERENT POLICY OPTIONS AND WHO WILL BE AFFECTED?

The analysis of impacts covers all policy options. The key impacts are captured quantitatively at a level of detail consistent with the available data, otherwise they are treated qualitatively. Based on a set of assumptions, an IA tool was developed by the external consultant to assess the development of the baseline and the effects of various policy measures within a 20 year timespan (from 2015 to 2035) to align with related impact assessments in the mobility package. The development of the baseline scenario is based primarily on input assumptions from an update of the EU Reference Scenario 2016[50] but additionally covers the implementation of the reform of the national regulatory frameworks for buses and coaches in Germany, France, Italy and Poland. The key output variables which result from the overarching modelling framework include: 1) changes to the level of transport activity; 2) fares for users; 3) connectivity of different social groups; 4) environmental costs and 5) regulatory costs for different groups. Some of the other important impacts (e.g. working conditions) are estimated based on the desk and field research. All costs and benefits are summarised over the 20-year period 2015-2035 and presented as a 2017 Net Present Values using a discount rate of 4%. Impacts on transport activity and employment are presented for 2030, relative to the Baseline. The sensitivity and robustness of the results were tested; the relative impacts of each policy option were not significantly affected by the low and high cases used in the sensitivity analysis, as described in Annex 4. Each policy option presented below is compared against the results of the baseline scenario, unless stated otherwise.

Each policy option has been analysed in terms of its economic, environmental and social impacts. Where possible, quantitative estimates are given, in other cases however, because of the non-availability of statistics, this was not possible. In these cases, a qualitative assessment is provided and where relevant strengthened by the opinion of stakeholders.

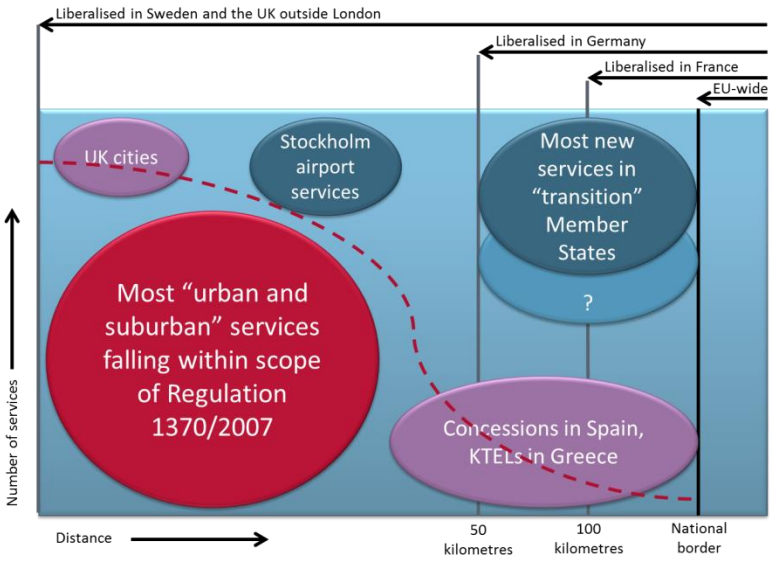
The impacts are likely to vary between Member States depending on the existing market access rules and the economics of individual routes. However, as noted in table 2-4, 14 Member States have already liberalised including 6 of the largest 7 national markets. In this IA the quantification of the problem of obstacles in national markets that hinder the development of inter-urban bus services focuses on the 14 Member States that have not liberalised their inter-urban regular coach and bus services. The estimated impact of market opening in these Member States is based on evidence from previous domestic coach market opening initiatives. The levels of secondary impacts are driven by changes to the level of transport activity. It is assumed that the non-liberalised Member States will

[50] The updated EU Reference scenario 2016 includes some updates in the technology costs assumptions (i.e. for light duty vehicles) and few policy measures adopted after its cut-off date (end of 2014) like the Directive on Weights and Dimensions, the 4th Railways Package, the NAIADES II Package, the Ports Package, the replacement of the New European Driving Cycle (NEDC) test cycle by the new Worldwide harmonized Light-vehicles Test Procedure (WLTP). It has been developed with the PRIMES-TREMOVE model (i.e. the same model used for the EU Reference scenario 2016) by ICCS-E3MLab. A detailed description of this scenario is available in the Impact Assessment accompanying the Proposal for a Directive amending Directive 1999/62/EC on the charging of heavy goods vehicles for the use of certain infrastructures, SWD (2017) 180

experience a rate of transport activity growth between that of Germany and the UK in the first five years following market opening. The assumption is adjusted depending on the ability of each Member State to restrict market access under each option.

A schematic diagram of the segments of coach and bus markets is shown in figure 6-1 below.

Figure 6-1: Segments of the market for regular coach and bus services



Source: Support Study for Impact Assessment 2016 Steer Davies Gleave

The red dotted line divides the services that require subsidy (below the line) or services that can be operated commercially (above the line).

The horizontal axis of the figure indicates the distance over which a passenger is carried, ranging from short services on the left to long services on the right, and then international services which are the focus of Regulation 1073/2009. The vertical axis of the figure indicates the number of services.

The ellipses on the figure illustrate a number of market segments. First, and bottom left, are *short-distance regular services*, a large proportion of which, particularly on urban and suburban routes, are not commercially viable and hence require a public service contract as provided for under Regulation 1370/2007.

Second, and top left, are *short-distance regular services in Member States in which all services are liberalised*, and fares are either unregulated or set at levels which can be commercially viable.

Third, and bottom right, are *longer-distance regular services in Member States where a mix of profitable and unprofitable services are operated as a package*, as in the regional concessions in Spain and under the contracts awarded to KTEL companies in Greece.

Fourth, and top right, are *longer-distance services in Member States which have liberalised regular domestic services*, such as Germany (2013), Italy (2014) and France (2015) where, subject to the restrictions described above, new entrants have typically first entered the market on the most profitable routes. However, as indicated with the ellipse with the question mark ("?"), these services will in principle continue to expand

until all profitable opportunities have been exploited, in theory including all services above the dotted red line.

This shows that opening access to commercial services and protecting public service contracts are not mutually exclusive. Opening access with the adequate protection of PSCs provides opportunities for carriers to respond to demand and provide new services. However, it also introduces the risk of carriers cherry-picking the most profitable services. It is therefore necessary for the authorisation procedure and the economic equilibrium test to strike a balance between the benefits of opening market access with the potential impact on the economic equilibrium of PSC's. The retained policy options provide different combinations of protection for PSCs and market opening to assess the impact of each combination. The experience from liberalised and transition Member States (see table 2-4) has shown that PSC's can be protected and co-exist with a thriving open inter-urban domestic transport market. The approach taken to opening market access in each of the liberalised Member States was different but in all cases it has been perceived to have been a success.

6.1. Impacts of policy options to address excessive administration costs of entry and market access problems

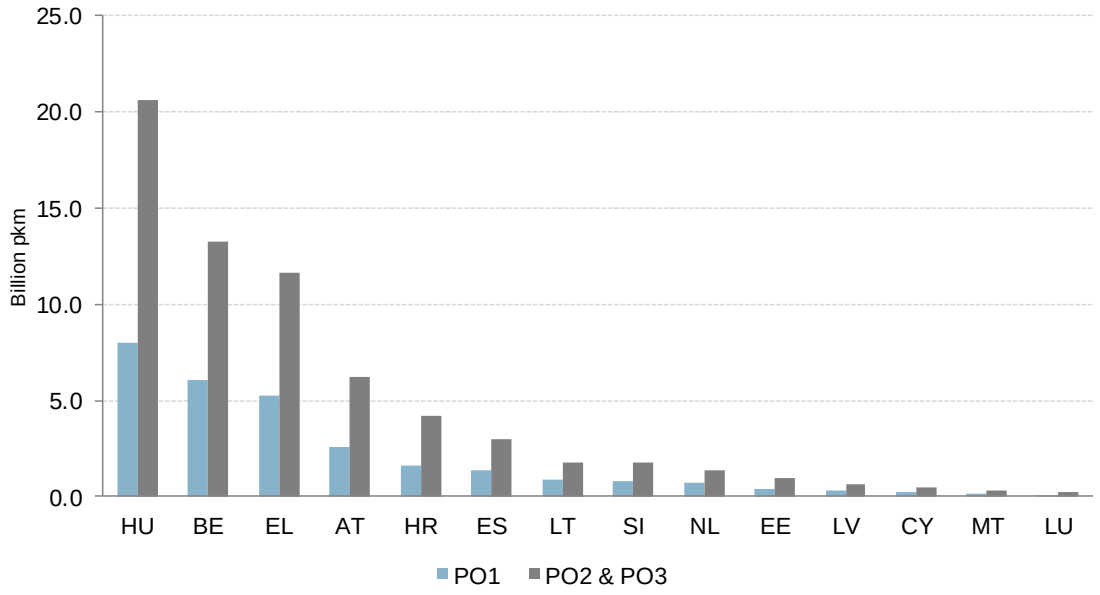
6.1.1. *Economic impacts*

Transport Activity: The impact of the policy options on transport activity is focused on the 14 non-liberalised Member States (including those awarding concessions through competitive tendering). Impacts on other Member States, which are already liberalised, are expected to be positive due to an increasing alignment of national market access rules, which will reduce the administrative burden on operators seeking to provide regular services in more than one domestic market. Furthermore the alignment of rules is expected to encourage some coach operators to provide international services.

Figure 6-2 shows the increase in inter-urban coach traffic under the market opening options by Member State in 2030 relative to the Baseline. While all options lead to substantial increases of coach traffic in Member States, Option 2 and Option 3 deliver the same increase (displayed as one column in figure 6-2) which is considerably larger than the increase under Option 1. Under Option 1 the economic test can be used to assess if the new service would compromise the economic equilibrium of the PSC. The test would examine the balance of the effects of a proposed new service between generation of new revenue (by creating new demand) and abstraction of revenue from existing rail or coach services operated under a PSC. The test allows the positive effect of authorising a new service (e.g. lower fares with more services, better connectivity and rail operators can enter into coach market or benefit from integrating with coach and picking up its passengers) to be considered and balanced against the negative effect of abstraction.

This inclusion of the measure setting common requirements for the protection of PSCs meeting the needs of an urban area, which will simplify the authorisation procedure and remove discretion to restrict market access unduly. The effect varies considerably between Member States and the increases in Belgium, Hungary and Greece are particularly large when compared to Spain, which has a well-developed coach market.

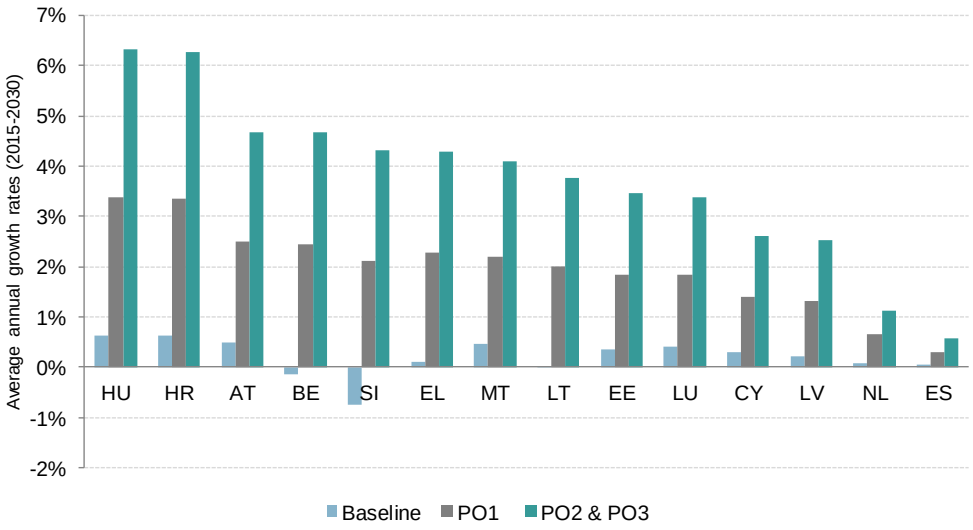
Figure 6-2: Impact of options by MS (increase in inter-urban coach traffic in 2030 relative to the Baseline, in billion passenger-kilometres)



Source: Support Study for Impact Assessment 2016 Steer Davies Gleave

The average growth rate by Member State by 2030 are shown in figure 6.3 below. The growth rates in Spain & the Netherlands, which have well-developed coach markets, are low even after the adjustment for the effect of liberalisation, and the additional traffic generated is therefore correspondingly low despite the volume of traffic in the baseline. By contrast, Hungary experiences a higher rate of growth in the baseline than Spain, reflecting the economic conditions taken into account in the baseline and the adjusted growth rate and increment in traffic is correspondingly large.

Figure 6-3: Average annual growth rate by 2030 by MS under each option



Source: Support Study for Impact Assessment 2016 Steer Davies Gleave

Under options 2 and 3 new services carrying passengers over distances of 100km or more cannot be prevented solely to protect an existing PSC. This introduces the risk that the new service may erode some form of PSCs such as a service to a remote area via inter-urban bus services or alternatively it may result in the requirement for an increase in subsidies. However, no evidence is available to indicate that the opening of the national

market for regular coach and bus services has had either of these effects. In cases where profitable and non-profitable services are bundled together, passengers on the profitable routes are "subsidising" through increased fares the passengers on non-profitable routes. This inflates the fares on profitable routes, makes these services less attractive for citizens and promotes private use of cars. As described in table 2-4, 14 Member States have already opened their markets accounting for 73% of the total passenger kilometres for the EU. **The impact of market opening in these Member States has been widely studied and we have not found any evidence that the market opening has eroded PSCs serving rural areas or that the negative impact of abstraction has been larger than the positive impact of generation**. There are very few PSCs in place that cover services beyond 100km so the overall impact on PSCs of opening the market in this segment is likely to be very small. **The national policies and frameworks towards the provision of regular services varies across the non-liberalised Member States however this was also the case for the 14 Member States that have already liberalised. Furthermore, stakeholders have been widely consulted and no stakeholder has indicated that market opening has resulted in these issues.**

The evidence in the Impact Assessment support study suggests that Member States are more concerned with their urban PSCs and have chosen regulatory distances broadly consistent with permitting no journey wholly within their largest suburban system, and by implication any other suburban system. The current precedents include 100 km in France and 50km in Germany, and past precedents include 100 km in Sweden and 48km in the UK.

Table 6-1 below provides further information of incremental traffic under each policy option in 2030 relative to the Baseline. The Baseline projection of coach traffic is 589 billion pkm in 2030. The change relative to the Baseline under Option 2 and Option 3 is around 66.5 billion pkm in 2030, representing an increase of 11.3% in coach traffic. The change relative to the baseline for journeys is roughly 430 million and the number of services increases by about 510 in 2030.

Table 6-1: Estimated impact of options on coach traffic levels

Metric		Change relative to the baseline in 2030		
		PO1	PO2	PO3
Billion passenger-km	National	25.0	58.3	58.3
	International	3.4	8.2	8.2
	Total	28.4	66.5	66.5
	% increase	4.8%	11.3%	11.3%
Million journeys		190	430	430
Number of Services		220	510	510
Average load factor (p.p. change)		-0.7	-1.1	-1.1

Source: Support Study for Impact Assessment 2016 Steer Davies Gleave

When estimating the impacts it was not possible to differentiate between national and international regular services from the available data. The estimated volume of international traffic rises in line with the total traffic which is broadly consistent with the recent experiences when domestic liberalisation has been seen to stimulate the introduction of new international services as well as the development of national networks. It is also assumed that vehicle kilometres operated increase in line with demand and the average load factor will not change materially between options.

Just fewer 60% of the respondents to the OPC consider that establishing a common framework in the EU for access to national markets for regular services would have a positive impact on growth in the passenger transport sector. However, the national authorities had mixed views with 2 of the 3 considering it would have a negative effect. The same percentage of respondents consider that it will have a positive impact on the administrative burden for public administrations with just more than 60% considering it would also have a positive impact on the reduction of cost of compliance with legislation.

Revenue: The projected impacts on coach revenue reflect the underlying traffic activity impacts described above. Option 1 generates in the region of €27 billion in additional coach sector revenue in net present value (NPV) terms over the timescale of the impact assessment (2015-2035). Again, Options 2 and 3 perform particularly well, generating roughly €62 billion in additional coach sector revenue reflecting the inclusion of the measure setting common requirements for the protection of PSCs meeting the needs of an urban area, which would simplify the authorisation procedure and remove discretion to restrict market access unduly.

Just fewer than 60% of respondents to the OPC consider that abolishing restrictions on access to national markets for regular services would have a positive impact on the economic situation of small road passenger transport operators. The results are mixed across stakeholder groups with national authorities and NGOs consider that the impact would be negative. More than 60% of the respondents (and the majority of all stakeholder groups) consider that it will have a negative effect on incumbent coach operators.

Fares for users and service quality: Given the lack of data from liberalised Member States on the effects of coach market liberalisation the impact on fares for users and service quality has been assessed in qualitative terms. Fares for users and service quality have been assessed together rather than in isolation to demonstrate the overall impact on customer service.

The evidence indicates that most coach services are cheaper, on a fare per kilometre basis, than the equivalent rail service. This may be because rail often offers faster journeys and can therefore act as a market 'price-maker'. However, this is not always the case and coach fares have been found between two and three times greater than the equivalent rail fare, despite average speeds being similar between modes. In this case it is likely that there are additional factors such as service frequency and quality which permit coach operators to charge a much higher fare. Where one mode offers more frequent and faster services, the other may have the characteristics of an "inferior good[51]" and have to accept lower fares. At long distances, where air services are available, coach services can attract passengers by not charging for heavy baggage, and may be viable when rail services are not.

In cases where rail services are slower and less frequent than coach services, rail may be an "inferior good" and coach may charge a fare many times the rail fare. This is particularly the case on the routes in the EU13 and is not dependent on the state of market opening.

The Eurobarometer Report provides an indication of passengers' perception of fares as well as different aspects of service quality. The results do not suggest any systematic differences in the satisfaction of passengers in liberalised and non-liberalised Member States. Nevertheless, there is evidence from individual Member States that have liberalised indicating that market opening can lead to a substantial

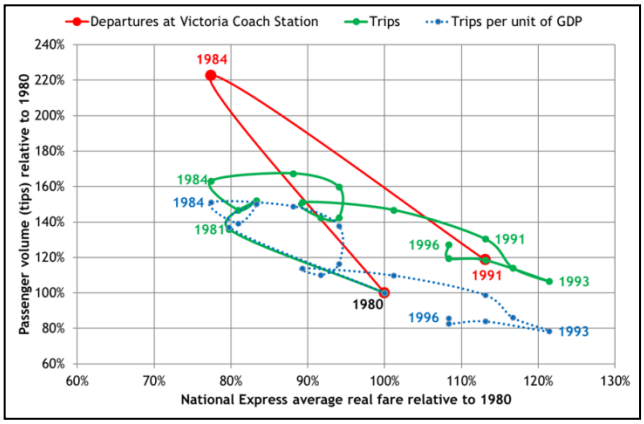
[51] The term "inferior good" here as defined strictly within economic terminology. In economics, an inferior good is one for which demand falls when consumer income rises, and vice versa.

reduction in fares as well as improvements in service quality, at least in the short term.

Over the longer term the evidence suggests that after market opening, strong consolidation takes place. The competent authorities have the role of ensuring that there is no decline in competition in the supply of bus services after the removal of market restrictions due to the abuse of a dominant position by one player.

The following figure shows changes in National Express average real fares and service departures from Victoria Coach Station in London (the latter is an indication of two different dimensions of service quality, namely the range of routes served and the service frequency offered). It indicates that in the five years following full market liberalisation in 1980, average fares fell by more than 20%, while the number of departures increased by more than 100%, representing a substantial improvement in the service offer. Note, however, that by 1991 average fares were more than 10% higher than in 1980 while departures had fallen back to 120% of their pre-liberalisation level, reflecting the consolidation of the market and the strengthening of National Express's dominant position from 1984.

Figure 6-4: Trends following domestic liberalisation in the UK



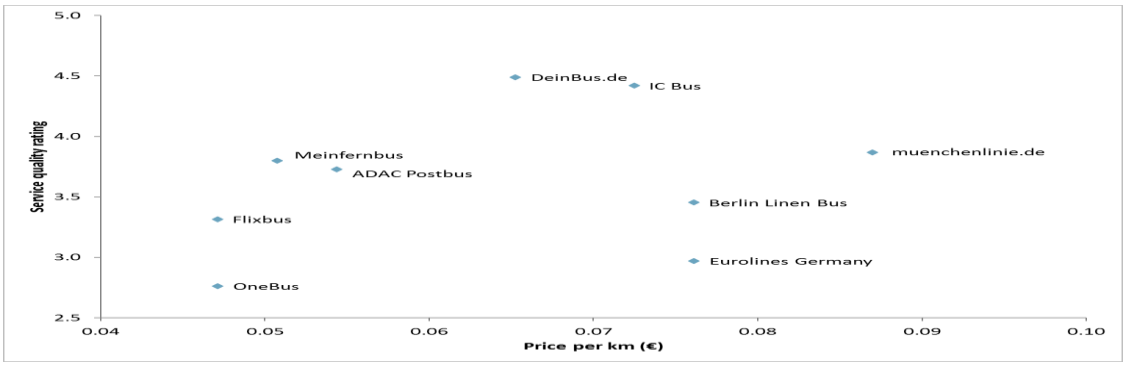
Source: Peter White, reported by ECMT, Steer Davies Gleave analysis in Annex F of support study

Whether the resulting price-service quality offer represented an improvement on the position in 1980 is difficult to determine on this evidence alone, although the increase in departures was clearly a benefit to passengers. In any event, the figure demonstrates the difficulties of sustaining any initial, substantial improvement in the value of the service offer, particularly if competition in the market is not preserved.

More recent evidence from Germany supports the view that that the immediate effect of liberalisation is to improve the price-service quality ratio and that competition is recognised an important determinant of fare levels[52]. A previously cited study by Dürr and Hüschelrath (2015) reported that there are significant reductions in fares on routes where there is competition between two or more operators. It also suggests, as illustrated in the figure 6-4 below, that liberalisation resulted in a wide range of price-service quality combinations within the first year of the new market access arrangements taking effect.

[52] Contestability of long distance German coach market, Katrin Augustin, KCW GmbH, European Transport Council 2013.

Figure 6-5: price-service quality offer of German coach operators in 2014

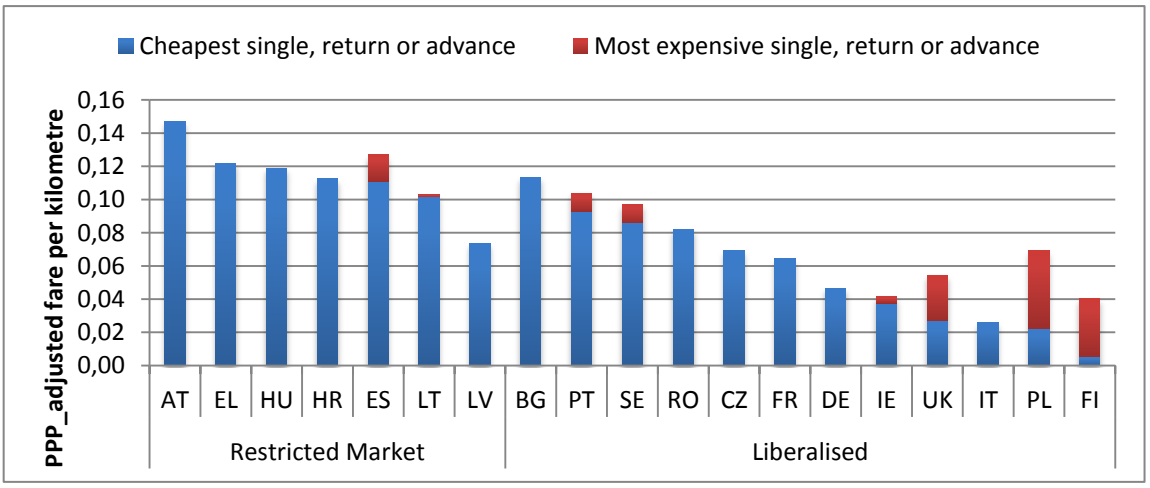


Source: Dürr and Hüschelrath (2015)

This can be interpreted as a measure of customer perceptions of the overall value for money offered by the different operators. As shown, operators offering higher value for money include both FlixBus (with lower fare and lower service quality rating) and DeinBus.de (with a higher fare and higher service quality rating). Those apparently offering lower value for money, based on customer perceptions, include operators such as Berlin Linen Bus and Eurolines Germany, both of which charged relatively high fares but whose service quality offering was broadly comparable with that of FlixBus. Note that both these operators were established before liberalisation, and could therefore be considered to represent the price-service quality offering in the absence of competition.

As part of the 2016 study on passenger transport by coach in Europe a number of fares for interurban services were sampled across 19 Member States as illustrated in the figure below. The fares include both peak and off-peak return fares and recorded data for booking one day, one week and one month ahead for a single point-to-point journey. From the available data, it appears that the fare per kilometre averages at €0.06 in liberalised markets, compared to €0.11 in restricted markets. This significant difference indicates that liberalisation usually leads to a reduction in prices with positive impacts for the passengers.

Figure 6-6: Sample of fares for national inter-urban services



Source: Adapted from Support Study for the IA for the Revision of Regulation 1073/2009

Over the long term it is more difficult to predict because the fares depend on the extent to which competition on the individual route is sustained. If competition is not preserved, the efficiency gains resulting from the removal of market restrictions can be outweighed by the negative consequences through the abuse of a dominant position by one player, leading to higher fares. However, any abuse of market power is susceptible to intervention by supervisory authorities; also the specific dynamics of this market will counter this: as fixed investment required for market entry is typically very low (no infrastructure investment, availability of leased bus capacity), any excessive price rises by mono- or oligopolists will immediately provoke new entry. These markets will therefore clearly remain contestable after the elimination of national regulatory barriers.

Based on this analysis, it can be expected that under Option 1, market opening will initially lead to a reduction in fares and more innovative pricing strategies in the short term. The studies mentioned above have identified significant reductions in fares on routes where there is competition between two or more operators.

However, the impact on fares over the long term is more difficult to predict, because it depends on the extent to which competition on individual routes is sustained. There is clear evidence that the market in Germany has become concentrated and emerging evidence that consolidation among operators is taking place in France and Italy. The UK market continues to be dominated by National Express despite more than 35 years of liberalisation.

Against this background, it seems that the impact on fares over the long term will to a great extent depend on the willingness of competent authorities to take action to preserve competition.

We have not identified any evidence from the Eurobarometer survey suggesting that passengers using services in liberalised markets perceive service quality to be materially higher than in other markets. However, some studies suggest that market liberalisation leads to a more innovative use of sales channels, the adoption of yield management and faster introduction of on-board services such as Wi-Fi. In addition, there is clear evidence from independent studies that the number of services offered increases substantially in liberalised markets.

Option 2 and Option 3 will have the same impact on fares as Option 1 but as they will stimulate more rapid market growth more aggressive price competition in the short term under both these options is expected.

Just fewer than 60% of the respondents to the OPC consider that market opening will have a positive effect on fares. The stakeholder groups that were the most divided in their assessment of the effect were governmental authorities (2 of 3 view the effect as negative) and NGOs (14 of 28 view it as negative).

Options 1, 2 and 3 all include measures that will simplify the market access procedures and open the inter-urban market to competition. As described in the impacts on transport activity section above, each option has a positive impact on the number of services as a result of newcomers entering the markets with extensive networks including coach lines in areas where coach services were previously barely present. There is also evidence (see table 2-5 above), from recently liberalised markets, that service frequency increases with the number of competitors on the route and that liberalisation has provided passengers with a greater choice of combinations of price and service quality.

Each of the three options has a positive impact on safety which is driven by the significant reduction in car traffic. External costs of accidents fall under Option 1 by about €1.2 billion, expressed as present value over 2015-2035. They fall more substantially under option 2 and 3 generating in the order of €2.8 billion in savings over the same period. This is discussed in more detail in the section 6.1.3. on social impacts.

Market opening has led to the use of more innovative use of sales channels and platforms, the adoption of yield management and faster introduction of on-board services such as Wi-Fi. This is particularly important to younger passengers who are the most interested in coach services. There is no evidence of any difference across the 3 options.

The majority (just under 60%) of respondents to the public consultation reported that in their view opening the market for national regular services would have a positive effect on service quality provided to passengers. The views of the stakeholder groups were mixed with the majority of governmental authorities (3 of 3) and NGO's (16 of 28) considering that the effect on service quality will be negative. The Eurobarometer Report results indicate that passengers using coach services in liberalised markets do not perceive the quality of service to be materially higher than in other markets.

Level of performance of other modes of transport: Increases in the level of coach transport activity are likely to lead to decreases in the level of transport activity on competing transport modes. Competition from long distance coaches encourages rail transport to lower its prices and set up low cost services to retain its customers. Also, rail operators have the capability to enter the coach market to regain some of the passengers lost to rail such as in France where Ouibus (a 95% subsidiary of SNCF) holds 30% of the intercity coach market. To calculate the decrease in traffic for each competing transport mode, the traffic diversion factors derived from experience in Germany have been applied. These factors are: 4% for air transport, 40% for passenger car transport, 46% for rail transport and 10% for generated coach transport. The formula used to calculate the change in share is described in Annex 4, in the section "Assessment of secondary impacts".

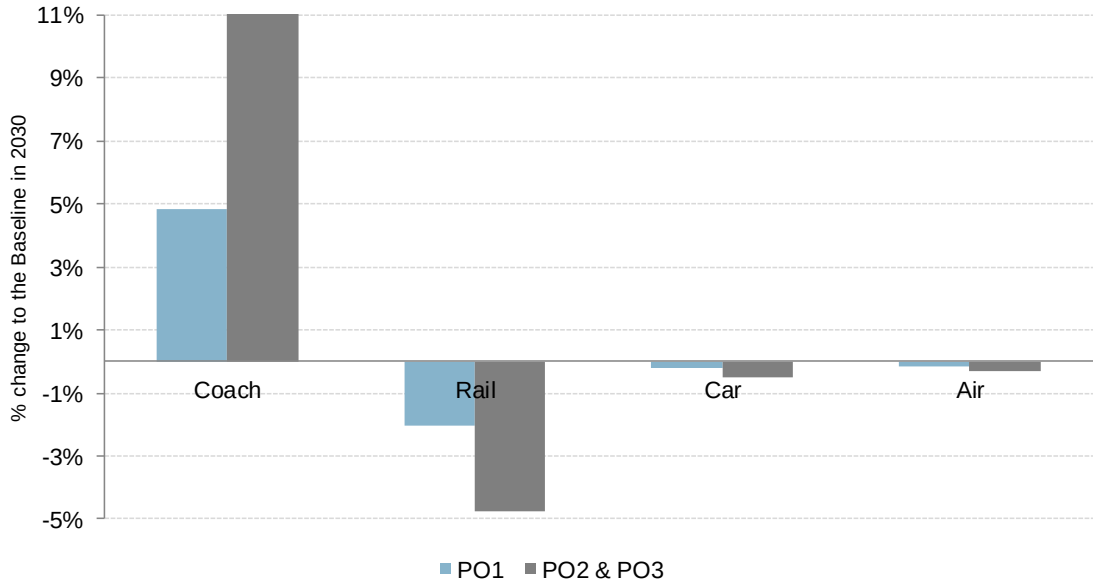
One factor that provides coach an advantage compared to rail is that operators make no payment for the use of infrastructure beyond an annual licence, while rail operators maybe required to pay not only the cost that is directly incurred as a result of operating the train service but also mark-ups on the basis of efficient, transparent and non-discriminatory principles which are permitted to obtain full recovery of the costs incurred by the infrastructure manager. Thus, while the directly variable costs of coach may be lower than those of rail, the effect of mark-ups, the effect of mark-ups may be the average costs of rail are higher than those of coach. In practice many of the costs of both rail and coach operations, including the provision of vehicle and crew, are time-based, so an important factor may often be the relative average speeds achievable by rail and coach, determined both by the rail and road infrastructure and the number of stops made on route. This initiative on access to the coach market should be seen as part of a co-ordinated response to, amongst other things, market challenges faced. As part of this package buses and coaches will be included within the scope of the Eurovignette Directive. The inclusion of buses and coaches will help to diminish distortions of competition in the internal market for passenger transport caused by according preferential treatment (i.e. exemption from paying for the use of infrastructure) to these vehicles, vis-à-vis rail transport, which is already subject to such charging.

A second factor providing coach with an advantage compared to rail is that the unit of capacity, a coach, is much smaller than a typical train. In practice, an interurban-service

with a number of intermediate stops may generate only sufficient demand to justify a train every hour or every two hours. The demand between the two cities alone, however, may be sufficient to support a half hourly coach service operating non-stop between them on a direct motorway, in some cases with a comparable or shorter overall journey time.

The impact of each policy option on traffic carried by mode in 2030 relative to the Baseline is shown in figure 6-3 below. Under Option 1 there is a limited impact on rail of about 2% (about 13 billion pkm) and a 4.8% (about 28 billion pkm) increase in coach total pkm. Under Options 2 and 3 there is a larger but still limited impact on rail of 4.8% (about 30 billion pkm) with a significant increase in coach transport activity of 11.3% (about 66 billion pkm). The modal share of rail in under Options 2 and 3 is decreasing by 0.4 percentage points in 2030 relative to the Baseline (from 8.4% to 8%)

Figure 6-7: Estimated impact of market opening options on other modes (% change to the Baseline in 2030)



Source: Support Study for Impact Assessment 2016 Steer Davies Gleave

Our analysis, based on the experience of Member States that have liberalised their coach markets, indicates that the **liberalisation of national markets can only be expected to have a limited impact in terms of passenger shift from rail**. This could be explained somewhat by the targeting of coach operators of services at different groups of passengers. In the targeted consultation, coach operators confirm that they target specific groups such as those without access to a car, younger and older passengers and passengers who could be considered more finically disadvantaged.

The decrease in passenger car transport activity for the 3 options appears small at under 0.5% (27 billion passenger-kilometres) relative to the Baseline in 2030 but given the dominance of car travel in the EU passenger transport, even the small percentage reduction in car traffic achieved under each option has important implications for traffic congestion and emissions as discussed below.

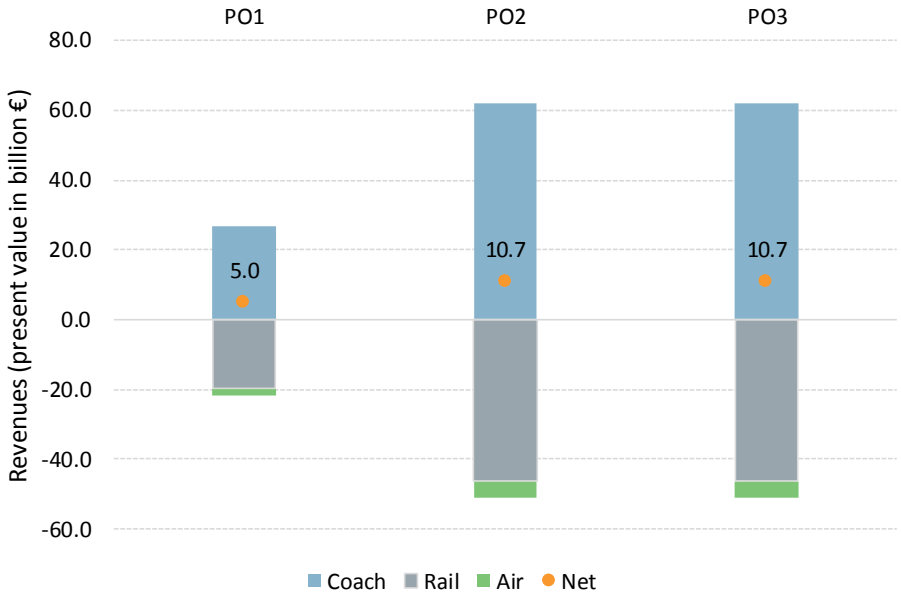
As a result of the changes in the allocation of traffic across modes under Options 1, 2 and 3, the modal share of coach services increases. Under Option 1 the sector's modal share increases by 0.4 percentage points in 2030 relative to the Baseline. Under Options 2 and

3, which generate more substantial additional coach traffic, the sector's modal share increases by 0.9 percentage points. Against the background of the long term decline in modal share described in Section 2.2 this would represent an improvement in the competitiveness of the sector and facilitate inter-urban mobility for all citizens and in particular for groups with limited access to other modes.

The increase in coach traffic generated by each of the options results in a diversion away from other modes. The beneficial effects of the modal shift from car and air together with the generation of new traffic are greater than the abstraction from rail. **The performance of coach and rail combined is improved by all three options so increase the modal share of sustainable transport modes**.

The modal shift also reduces the revenues earned by other forms of public transport, particularly rail transport. However, similar to the net beneficial effect of the modal shift under each option there is a net increase in revenues due to the expansion of the market towards new passengers as described in figure 6-8 below.

Figure 6-8: Revenue of coach and other modes relative to the Baseline over 2015-2035 (expressed as present value)



Source: Support Study for Impact Assessment 2016 Steer Davies Gleave

To assess the impact of the policy options on the performance of other transport modes, the lost revenue arising from the decrease in the level of transport activity was estimated based on the demand reduction rates provided in in the first paragraph of this section. Under Option 1 rail revenues decrease by about 0.6% (€20 billion) relative to the Baseline and there is a net increase in revenues of around €5 billion (expressed as present value). Under Options 2 & 3 the estimated reduction in revenues is about 1.4% (€46 billion) and there is a net increase in revenues of around €10.7 billion relative to the Baseline (expressed as present value). However, the estimates of revenue loss are based on diversion factors derived from experience in Germany, which in some respects has introduced a greater degree of liberalisation than is implied in the policy options which provided more protection to existing services than is the case in Germany so the estimates of rail revenue loss shown in the figure below may overstate the impact.

Administrative Burden: The reductions in administrative burdens are estimated using the costs associated with authorisations and journey forms as previously described in table 2-6[53].

The saving from the measure abolishing the journey form for occasional services is estimated at €4 million over the period 2015-2035 (expressed as present value) relative to the Baseline under all three options and is the only reduction in administrative burden under option 1.

Under Option 2 the same savings are generated from abolishing the journey form. It is assumed that revenue is foregone due to delays in the authorisation procedures and therefore savings are generated by the reduction in time to complete authorisation process from four months to two months. This saving is estimated at €1,450 million over the period 2015-2035 (expressed as present value) relative to the Baseline.

Under Option 3 the same reductions from getting rid of the journey form are generated as Option 2 with a reduction of around €240 million over the period 2015-2035 relative to the Baseline due to the elimination of the authorisation procedure and €3,230 million cost savings generated by the reduction in time to complete the authorisation process.

Impact on market structure in the coach and bus sector: Under Option 1, it is expected that the liberalisation of the market would lead to a more competitive market structure, at least in Member States where the market is currently dominated by a limited number of incumbents. Competitors are likely to focus on specific routes rather than trying to replicate or establish national route networks. Over the longer term the evidence suggests that after market opening, strong consolidation takes place. The competent competition authorities have the role of ensuring that the efficiency gains resulting from the removal of market restrictions are not unduly appropriated through the abuse of a dominant position by one player, leading to higher fares. The inclusion of the measure abolishing journey forms will also reduce costs of entry for the providers of occasional services.

Option 2 will have the same impact on the market structure as under Option 1 but it is likely that there will be more rapid growth which may lead to greater fragmentation of the market in the early years of liberalisation followed by consolidation. As mentioned above, the competent competition authorities have the role of ensuring that the efficiency gains resulting from the removal of market restrictions are not unduly appropriated through the abuse of a dominant position by one player.

Option 3 will have the same impact on the market structure as under Option 2, but the inclusion of the measure abolishing of the authorisation procedure is likely to make it more difficult to track market developments. If the European Commission does not have at its disposal comparable, reliable, synchronised, regular and comprehensive statistical data on the market it makes it difficult for the European Commission to carry out the tasks entrusted to it in the context of the common transport policy.

Potential relocation of businesses: The inclusion of a measure requiring Member States to grant access to national markets for regular services without discrimination in Options 1, 2 and 3 will enable operators to operate in markets that were otherwise closed to them without having to establish subsidiaries. However, in practice, operators may continue to

[53] Calculated using the EU average wage (https://www.reinsfischer.com/average-salary-european-union-2016) and assumptions on time taken as described in table 2-6

establish subsidiaries in different Member States for a variety of strategic and operational reasons regardless of the regulatory environment.

We would not expect any of the options to have a material effect in the distribution of coach companies across the EU, although there may be some migration over the long term away from Member States whose markets are currently closed to operators established elsewhere.

Integration of ticketing and price competition: Under Option 1 the more fragmented market over the short term may result in less integrated ticketing since, for example, inter-modal ticketing arrangements will be more difficult to coordinate. Consolidation of the market could be expected to make such coordination easier. Over the longer term, competition could lead to the creation of a wide range of multi-modal products introduced through partnerships between coach companies and airlines as well as rail operators.

The more effective protection of public service contracts under Options 2 and 3 due to the inclusion of the measure to set common requirements for the protection of PSCs meeting the needs of an urban area will help preserve integrated ticketing arrangements in conurbations.

Level of infringements of rules on access to the market: Under Option 1 the rules governing access to national markets will be streamlined and it is expected that there will be fewer opportunities for operators to infringe them and hence fewer recorded infringements. However, it is possible that a greater level of market activity could result in some remaining rules, for example those protecting PSCs, to be infringed more frequently.

Option 2 should also result in fewer infringements due to the streamlining of market access rules, including those protecting PSCs.

The inclusion of the measure abolishing the authorising procedure in Option 3 would appear to increase the risk of infringements. The operator opening a new route would no longer be checked immediately before commencing the route. Enforcement would have to focus on access to the profession and the Community licence. The Member State of establishment would have a vital role in encouraging carriers to comply with the regulations.

Level of congestion: the changes to the level of transport activity, for both coach transport and competing modes, imply changes to the level of externalities produced by each transport mode. The net change in the level of congestion is based on changes to transport activity and the demand extraction rates and is further explained in Annex 4.

The absolute reduction in car traffic as a result of the options is significant, and since car traffic makes a major contribution to congestion the impact of the options on congestion costs are correspondingly large. Option 1 delivers a reduction in congestion costs of in the region of €6 billion over the timescale of the impact assessment (expressed as present value). Options 2 and 3 deliver a significantly greater reduction of about €15 billion in such costs over the same period.

There is no evidence that any of the three options would lead to greater congestion in urban areas. Urban congestion is more likely to be a result of terminals not being able to

adequately accommodate all coaches in stands or if terminals no longer have the scope to expand to cater for further frequency increases in coach traffic.

Economic effects for SME's: Under Option 1 liberalisation would provide new opportunities for SMEs, notwithstanding the risk of consolidation over the long term. If some new business models were to become widespread, national operators seeking to expand their networks would provide opportunities for sub-contracting and offer benefits that could be of considerable value to the SMEs. However these effects could be offset by a general trend towards greater market consolidation, especially if dominant operators emerge that prefer to manage operations in-house rather than out sourcing.

Under Option 2 the greater market stimulation would be expected to generate more opportunities for SMEs. As the measure abolishing authorisations in Option 3 would significantly reduce the regulatory costs faced by SMEs it would be expected to generate even more opportunities and encourage new businesses to enter the market, either as a sub-contractor or primary operators.

Just fewer than 60% of respondents to the public consultation have the view that abolishing restrictions on access to national markets for regular services will have a positive effect on the economic situation of SMEs.

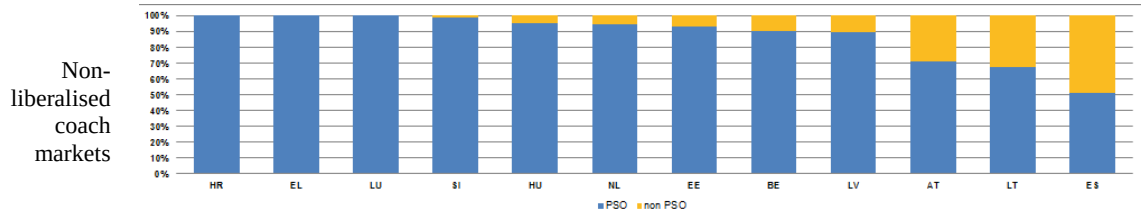
Impact on public service contracts: In rail passenger transport competition takes the form of

- competition for the market – via PSC or service concessions, giving an undertaking exclusive right to operate on a specific route or bundle of routes; or
- competition in the market – where two or more operators compete on the same route.

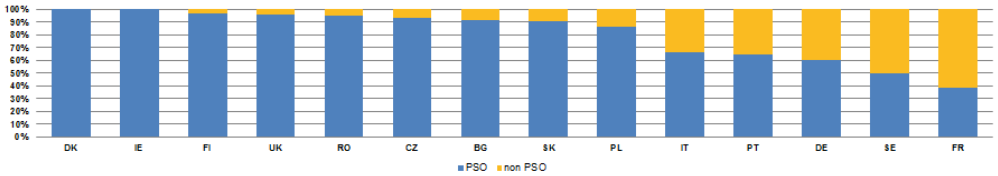
Ensuring the provision of public rail services usually implies the need for compensating undertakings. Suburban and regional trains are usually run through PSC, whereas long distance and high speed trains may be more frequently operated under competition in the market. In most countries providing data via Railway Information Measuring and Monitoring System (RIMMS), the PSC compensation per train-km is higher than EUR 5 (with the notable exception of the UK). There does not appear to be any difference between the levels of PSC compensation per train-km between the group of Member States that have liberalised their coach market and the group of Member States that limit competition.

The portion of PSC services in total rail passenger traffic varies widely between the Member States. As shown in the figure below the portion of PSC services as % of total rail passenger services indicates that liberalisation of coach market appears to have little, if any impact on the portion of rail services operated under PSC in Member States.

Figure 6-9: PSC Services as % of total rail passenger services



Liberalised coach markets



Source: RIMMS, 2014 data except for IE and NL (2013) and EL and ES (2012). Domestic PSO for FR includes also train services TET, TER and Transilien (operated only by SNCF, and not RATP)

This indicates that the introduction of commercial coach services does not appear to have any significant impact on rail PSCs. However, in principle, it **may result in a number of responses either by PSC operators, within any flexibility to do so provided in their contracts, or by the competent authorities**. Responses might include changes to fares, vehicle quality, service frequency, length of service day (from first service to last service), off-peak and weekend provision, stopping pattern and, potentially, withdrawal. The mechanisms by which liberalisation may result in changes to PSC services are set out in table 6-2 below.

Table 6-2: Mechanisms by which liberalisation may result in changes to PSO services

Issue	Details
Has the liberalisation of the coach market resulted in loss of revenue to services?	This appears likely to be the case except where the coach service is in a wholly new market and does not abstract any passengers from existing routes.
If there has been a loss of revenue, has the operator of those services detected this effect?	If revenues are monitored by route, or boarding's are monitored by stop or service, the operator may detect the effect. However, in a large PSO operation, with no detailed revenue reporting, the effect of minor competition may not have been noticed.
If the operator has detected the effect, can it identify on which services the revenue is being lost?	As above, this may depend on the level of monitoring and revenue reporting of the operator.
If the operator can identify on which services the revenue is being lost, can it identify a service reduction plan (including complete closure) which would mitigate the losses?	This may depend on many operational practicalities. For example, if a liberalised service takes demand from the centre of a route which remains busy at the ends, there may be no saving from cutting the route into two.
If the operator can identify a service reduction, can it implement it?	To implement a service reduction it may still need to be consistent with the public service contract and/or overall transport policies or labour agreements. For example, a requirement that all services remain at least hourly, or of no compulsory redundancies, or vehicle leases which do not expire for a long period, may mean no change in response to loss of revenue.
If the operator can implement a service reduction, will it be material?	Cost-recovery may be so low that any further loss of revenue is immaterial.

If all the above are true:	If any of the above are true:
• The PSO operator may cut back services to the extent that is permitted by its contract. • The competent authority may change the specification of services in the next contract.	• In a net cost contract, the PSO operator may accept revenue losses. • In a gross cost contract, or where there is an internal operator, the competent authority may accept revenue losses.

Source: Support Study for Impact Assessment 2016 Steer Davies Gleave

In summary, competent authorities specifying PSC services, prima facie:

- may not bear revenue risks, in the case of net cost contracts; However, operators may stop operating under PSC if operations turn out to be financially unsustainable.
- may continue to provide services on social grounds irrespective of losses if politically acceptable; and/or
- may set fares much lower than costs, so that large revenue losses have relatively little effect on subsidy; and/or
- may make no change until the next contract is awarded, which may be up to 15 years away.

Under option 1 all PSCs remain protected so there is no impact. Under options 2 and 3 PSCs would be affected as follows:

- liberalised services required to carry passengers 100 kilometres more would only affect a small proportion of public service contracts, because many routes operated in accordance with public service obligations are under 100 kilometres long and passenger journeys on them are implicitly shorter;
- where cost-recovery is low, revenue loss has limited impact on overall subsidy; and
- publicly contracted services affected by liberalisation may not change until contracts are renewed.

Where coach markets have been liberalised, we have found no evidence of competent authorities awarding public service contracts or public service operators citing it as a major cause of reductions in the services provided or closing of lines. Member States such as FR, DE, IT, and SE who have already liberalised their markets have not reported during the consultation that there has been a requirement to increase subsidies or that there has been any loss of public service contract revenues**.** The opening of market access also provides the opportunity for competent authorities to reorganise existing PSC after their which may result in significant cost savings and/or also reduce travel times by taking advantage of the best of coach and rail.

There is specific evidence from France, Spain and Sweden an EU-wide study on PSO night trains that provides detailed information on the financing of PSCs. A summary of the findings are in the table below, and more detailed information are in Annex 7.

Table 6-3: Summary of evidence of impacts of liberalisation on PSOs

Source	Evidence
Public Service Contract duration	Whatever impacts on demand and revenue, PSO services may not change until contract renewal, which may be as long as 10-15 years.

France	SNCF expects to lose 15-25% of revenue, or €1-2 billion per year, but it is not clear what is due to coach and what is due to car-sharing.
	Two of the five busiest coach routes are little more than 100 kilometres long.
	ARAFER has received multiple applications to carry passengers less than 100 kilometres, although these may be between intermediate stops on longer routes.
Spain	Average passenger length on interregional services has risen to 180 kilometres, but no equivalent information was found on regional services.
	Lack of information on regional concessions, and of the mix of services in any concessions, makes it difficult to identify where new entry might occur.
Sweden	One County has no PSO services longer than 100 kilometres, and over 60% of revenue is from routes shorter than 20 kilometres, implicitly for journeys which are even shorter.
	Cost recovery varies from 80% to almost zero, averaging 30% for all route lengths: a given percentage loss of revenue would require a much smaller percentage increase in subsidy.
EU-wide	Liberalisation in Germany, France and Italy was not cited by stakeholders as a direct or even major cause of closures of night train services, but it had driven their fares down.

Source: Support Study for Impact Assessment 2016 Steer Davies Gleave

The intervention of the Member States would only be required under circumstances where commercial services serving remote areas fall below the limits acceptable to the competent authorities. Member States will continue to be free to organise PSO's that are required in such a way as to ensure bus connectivity of remote urban centres under all options. The usual model of PSO to ensure coach connectivity with remote urban areas is the granting of public subsidies for the provision of these transportation services. Member States have flexibility to better organise the balance between commercial and non-commercial services and target the mobility needs of citizens. The distance threshold should not create many distortions for PSO operators serving rural areas as in some of the Member States that have not yet liberalised. It is estimated that less than 5% of bus and coach revenue from PSCs relates to routes over 100km. Given that such services seem likely to include intermediate stops rather than serving only end-to-end flows, it is estimated that less than 2.5% of revenue relates to passenger journeys over 100 kilometres. As not all such journeys would be replaced by a commercial service, less than 1.25% of bus and coach PSC revenue would be lost to commercial services. The introduction of competition on these routes is likely to result in decreased revenues from PSO passenger fares which may require an increase in public subsidies to maintain the same level of service under all options but the increase is relatively small. This would indicate that under all options the sustainability of public service contracts serving remote urban areas would not be undermined.

Under PO1, a significant part of the long distance coach and bus market would not be opened for commercial operators to address demand. The impact on PSOs is less than under other options as all PSOs can be protected but this option also limits the effectiveness of the market opening considerably as operators do not have the flexibility to address demand where it is needed.

Under PO2 and PO3 the impact on PSO's is increased as more of the national markets for regular services are liberalised and new services carrying passengers over distances of

greater than 100km cannot be refused on the grounds that the service could compromise a PSO. The distance threshold is set at a level to minimise distortions to PSO's whilst maximising the impact of opening market access. Increasing the level of the distance threshold will reduce the impact on PSOs but will also reduce the effectiveness of the market opening.

Notwithstanding the overall abstraction of passengers from the rail sector, we estimate the associated loss in rail revenues to be around 1.4% relative to the baseline over the horizon of the impact assessment (expressed as present value). We therefore conclude that the primary effect of new coach services on the railways is likely to be a requirement for a relatively small increase in subsidy by the competent authority.

6.1.2. *Environmental impacts*

The changes to the level of transport activity, for both coach transport and competing modes, imply changes to the level of externalities produced by transport modes. The formula used to calculate the net changes is defined in Annex 4. In this section the impacts of the options on carbon emissions, air pollution and energy use are described. In all cases the environmental impacts of Option 2 and Option 3 are equal as the level of transport activity was the same in each case.

Level of carbon dioxide emissions: The savings in CO_2 emission costs are substantial. They reflect the absolute reduction in car traffic achieved under each of the options. Under Option 1 CO_2 emission costs are reduced by around €80 million relative to the Baseline over the timescale of the impact assessment. Options 2 and 3 deliver significantly greater savings with CO_2 emission costs reduced by around €183 million in NPV terms.

As an illustration, 2 case studies were carried out looking at the connections between Paris and Lille and between London and Birmingham to assess the CO_2 emissions in two different markets, respectively a recently opened market and a more mature market. In both cases, as explained in Annex 8, the CO_2 emission impacts were important.

Passenger cars are by far the largest emitters of CO_2 serving the connection between Paris - Lille and are responsible for in excess of 65% of all CO_2 emissions. Coaches, together with electric trains, transporting passengers collectively are the lowest emitters of CO_2.

A typical rail fare would be roughly €40 with a transit time of 1 hour compared to a typical coach fare of roughly €15 with a transit time of 3 hours. These differences illustrate the fact that users of rail and coach have very different preferences and that the coach customer group are more price conscious and place less value of time.

Based on available travel statistics and CO_2 emissions per person by mode of transport, it can be calculated that the introduction of the coach connection between Paris and Lille has reduced transport CO_2 emissions by about 10,000 tonnes of CO_2 per annum. Moreover, it has resulted in around 250,000 less car journeys between the cities, thereby reducing also congestion as well as air and noise pollution.

It should be noted that this CO_2 reduction was calculated based on one of the busiest interregional connections in Europe with the presence of a high number of parallel rail services. Considering that rail lines are relatively limited in the EU (200,000 km) compared to roads (5 million km), the scope for coach services – without any parallel rail

services – is very important, and such new services would have an even more positive net CO_2 effect, as travellers in these cases only have cars as an alternative option.

Energy use: The reduction in net energy use is also substantial. Again, it reflects the absolute reduction in car traffic achieved under each of the options. Under Option 1 net energy use is reduced by about 3.6 million tonnes of oil equivalent over the timescale of the impact assessment relative to the baseline. Reflecting the increased transport activity, Options 2 and 3 deliver significantly greater savings with a reduction of about 8.4 million tonnes of oil equivalent relative to the baseline.

Level of air pollution: Again, the savings in net air pollution costs are substantial and reflect the absolute reduction in car traffic achieved under each of the options. Under Option 1 air pollution costs are reduced by around €250 million relative to the Baseline over the timescale of the impact assessment (expressed as present value). Options 2 and 3 deliver significantly greater savings with air pollution costs reduced by about €590 million.

6.1.3. *Social impacts*

Working conditions and job quality: This initiative on rules on access to the coach market should be seen as part of a co-ordinated response to the social and market challenges faced. As part of this package market and social issues in the road passenger transport sector will become more interdependent. A holistic approach has been adopted with the social, internal market and posting of workers' rules working better together to ensure both fair working conditions for drivers and fair competition between operators.

The results of then open public consultation show that stakeholders have divided views about the effect of a common framework in the EU for access to national markets for regular coach and bus services, the effect of abolishing restrictions on access to national markets and the effect of removing the protection of PSCs from competition. The operators and others consider that these measures will have a positive effect; regulators are equally divided whereas National authorities and NGOs consider they will have negative effects.

The concerns of the stakeholders have been addressed by the different interlinked initiatives in this package: (i) internal market rules governing access to occupation of road transport operator and access to passenger and freight markets, (ii) social rules applicable to road transport sector, (iii) rules implementing the user and polluter pays principle in the context of road charging and (iv) the rules on interoperable tolling services through digital technologies. All together these initiatives jointly contribute to fair, efficient, environmentally and socially sustainable road transport sector. In particular, the links between the social and the internal market provisions are most prominent. The abuse of internal market rules by applying illegal business practices, such as: illegal cabotage, fake establishment in low-cost countries, have adverse effects on drivers' working conditions and often deprive them from their social protection rights. In the same vein, the misapplication of the social rules in road transport by non-respecting the driving, working or resting time requirements or applying the terms and conditions of employment of the low-wage country to drivers working most of the time in high-wage countries disrupts fair competition between operators by unfair cost gains. Therefore, solving the social challenges in the sector must go hand in hand with addressing the internal market problematic issues. Enforcement is a cross-cutting element affecting the effectiveness of both: the social and the internal market legislation. By strengthening enforcement and administrative cooperation between Member States in the social rules

and access to the occupation initiatives should contribute to ensuring fair working and business conditions, which will enable a balance between the freedom to provide road transport services and adequate working conditions and social protection of road transport workers.

The on-going revision of the Posting of Workers Directive will ensure the right balance between the need to promote the freedom to provide services and the need to protect the rights of posted workers.

Although there is likely to be increased competitive pressure the holistic and co-ordinated response means that other initiatives will seek to alleviate the pressure on working conditions from the policy options on market access. These initiatives will address any potential erosion of labour market standards that is likely to occur over time and there does not appear to be a requirement for any further labour market policies to address these problems.

Employment: In the calculation of the estimate of employment it is assumed that employment grows in line with transport activity throughout the assessment period but the estimates assume no increases in productivity. There is also strong evidence from recently liberalised MSs such as France, Italy and Germany of the positive impact market opening has had on employment. Market opening at the EU level is estimated to result in an increase in employment in the coach sector. Under Option 1, it will result in about 34,000 additional employees by 2025, rising to about 37,000 by 2030.

Options 2 and 3 deliver significantly more employment with about 82,000 additional employees by 2025, rising to about 85,000 by 2030.

We would expect that emerging technological developments in section 2.8, including the introduction of driverless vehicles, will have an impact on the employment sector but it is not possible to forecast these with confidence at present.

Road Safety: The impact on road safety is positive for all options. The absolute reduction in car traffic drives savings in accident costs relative to the Baseline. Under Option 1, savings of around €1.2 billion will be generated by 2035 relative to the Baseline (expressed as present value). With Options 2 and 3 the savings generated increase to around €2.8 billion relative to the Baseline over the time scale of the impact assessment (expressed as present value).

Accessibility for people with reduced mobility, rights of the elderly and integration of persons with disabilities: The EDF has received complaints from members who are concerned that market opening will disadvantage people with restricted mobility. In its view, the needs of people with reduced mobility are generally not taken into consideration when operators are purchasing new coaches, and terminals are also poorly equipped. However, no evidence was found indicating that market opening has resulted in the provision of a poorer service to PRMs, affected the rights of the elderly, or the integration of persons with disabilities more than regulated ones.

Connectivity of different social groups: To determine whether the impact of liberalisation can be expected to be adverse or favourable overall, the following was considered:

- the extent to which publicly contracted services, and existing commercial services, are cut back in a way which disadvantages citizens with limited access to other modes; and

- the extent to which liberalised services create new opportunities for citizens with limited access to other modes.

On the first point, the impact is unpredictable, as it depends on many decision-makers dealing with routes with different levels of exposure to liberalised services, different levels of materiality to subsidy levels, different policies and different constraints.

On the second point, those introducing new services in liberalised markets are unlikely to have data on, and hence be able to target, citizens with limited access to other modes. They may enter the market using at least two business models:

- identifying a new connection, in a new market, which can be operated commercially: this may benefit citizens who did not have private transport; and
- identifying an existing connection, in a proven market, from which they can abstract passengers (given that the typical market positioning of coach relative to rail and air is that it is slower but cheaper, this may benefit citizens (or non-citizens) who could not afford access to other modes).

Evidence from the German market provides some insight into this issue, since it enables analysis of the origins of passengers on liberalised coach services[54]. It suggests that only around 10% of passengers had no access to other modes, but many of the others might have had "limited" access, such as a car which was not always available to them. We also note that more than twice as many coach passengers (30%) had come from long-distance trains as from local or regional trains (14%).

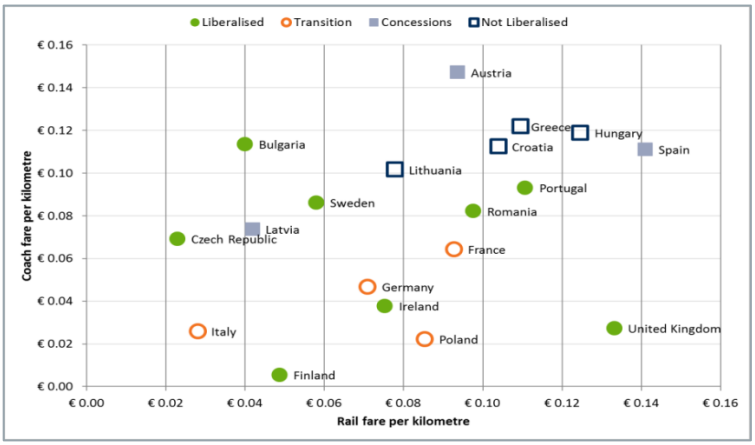
Data from a FlixBus coach users indicates that around 70% of coach stops could have been reached via the public transport or rail network, even if the coach journey itself was not well-served by public transport[55].

Liberalised services may serve points which did not previously have public transport, particularly if they impose only a small time penalty or would be necessary in any case for rest or a crew change. One example of the former is on the frequent Oxford Tube coach service between Oxford and London in Great Britain, which includes a stop at the small village of Lewknor (population around 600), 20 kilometres from Oxford and 60 kilometres from London. However, we note that Member States would not be obliged to authorise such a stop in Options 2 and 3, as no passengers from Lewknor could be carried more than 100 kilometres.

[54] Bundesamt für Güterverkehr "Marktanalyse des Fernbuslinienverkehrs 2014".
[55] Bundesamt für Güterverkehr "Marktanalyse des Fernbuslinienverkehrs 2015".

Figure 6-10**Error! Reference source not found.** compares coach and rail fares on journeys over 300 kilometres and plots rail fare on the horizontal axis and coach fare on the vertical axis.

Figure 6-10: comparison of coach and rail fares



Source: Comprehensive study on passenger transport by coach, Steer Davies Gleave, February 2016.

Coach fares are lower than rail fares (points low right on the chart) in many liberalised markets, and most notably in the UK, suggesting that in these markets, coach may be an inferior mode that tends to charge lower prices. This is also the case with all four of the transition Member States although coach fares may fall by around 20% in the first four years after liberalisation before rising to previous levels (see UK case study in Annex F of IA Support Study).

In practice, the outcome of liberalisation on coach fares depends on at least two factors:

- In the first few years after liberalisation, coach fares may fall, as new entrants try to attract passengers and build market share.
- In the longer term after liberalisation, coach fares determined in the market place may either be lower or higher than rail fares, depending on the relative quality, and particularly average speeds, of coach and rail services.

Of the Member States shown in figure 6-9, only Spain has a significantly lower average coach speed than rail speed[56]. This suggests that, all other things being equal, average coach fares in Spain may fall after liberalisation, but provides little indication of what may happen in other Member States.

[56] See figure 5.10 Study on the prices and quality of rail passenger services, Steer Davies Gleave, April 2016

The estimate of the proportion of additional traffic accounted for by passengers living in remote regions, passengers facing difficulty paying bills and elderly passengers (65 and over) under each option is derived using the data from the Eurobarometer Report.

The results of the assessment show that these disadvantaged or vulnerable social groups would benefit significantly from all three market opening options. Passengers living in remote regions would account for around 162 billion pkm by coach in the Baseline by 2030. Relative to the Baseline, under Option 1 the pkm by this group will increase by about 10 billion pkm in 2030. Under Option 2 and 3 the increase will be slightly over 2 billion pkm in 2030 relative to the Baseline.

Passengers facing difficulties paying bills would account for around 50 billion pkm by coach in 2030 in the Baseline. Relative to the baseline, under Option 1 the pkm by this group will increase by about 4 billion pkm in 2030. Under Option 2 and 3 the increase will be about 10 billion pkm relative to the Baseline in 2030.

Elderly passengers (65 and over) would account for about 145 billion pkm by coach in the Baseline in 2030. Relative to the Baseline, under Option 1 the pkm by this group will increase by around 7 billion pkm in 2030. Under Option 2 and 3 the increase will be around 15 billion pkm.

In practice, it is expected that passengers facing difficulties paying bills to benefit disproportionately, since their travel decisions are typically constrained by fares on offer and lack of access to a car.

Six of the eight Consumers (75%) and six of the seven Companies (86%) participating in the OPC gave a positive response when asked if coach services were viewed as important for the economic development of the respondent's region and jobs. A frequent comment in the free text section was that better connections and coordination between different modes of transport would encourage greater use of coach services.

Table 6-4: Synthesis of Economic, environmental and social impacts

			PO1	PO2	PO3
Economic Impacts	Transport activity in 2030 (difference to the Baseline)	Billion pkm	28	66	66
		% increase	4.8	11.3	11.3
		Million journeys	190	430	430
		Services	220	510	510
		Load factor (p.p. change)	-0.7	-1.1	-1.1
	Change in revenues relative to the Baseline (present value for 2015-2035)	€ Billion	27	62	62
	Performance of other modes relative to the Baseline in 2030 (in billion pkm and % change)	Coach	28 (4.8%)	66 (11.3%)	66 (11.3%)
		Rail	-13 (-2%)	-30 (-4.8%)	-30 (-4.8%)
		Car	-11 (-0.2%)	-27 (-0.5%)	-27 (-0.5%)
		Air	-1 (-0.1%)	-3 (-0.3%)	-3 (-0.3%)
	Modal Share in	Impact on coach share (p.p.	+0.4	+0.9	+0.9

			PO1	PO2	PO3
	2030	change to the Baseline)			
		Impact on coach and rail combined (difference to the Baseline in billion pkm)	15.5	36.3	36.3
	Quality of services	Frequency	Increases	Larger Increase due to more competition	Same as PO2
		Availability	Improves	Greater improvement	Same as PO2
		Safety (savings relative to the Baseline)	€1.2 billion	€2.8 billion	€2.8 billion
		Ease of purchasing tickets	Improves due to more innovation	Same as PO1	Same as PO1
	Market structure		More competitive market structure	As per PO1 but likely to result in more rapid growth	As per PO2 but more difficult to track market developments
	Relocation of business		No material effect	No material effect	No material effect
	Fares		Reduction in fares and more innovative price strategies. Long term action may be required to preserve competition	As per PO1 but greater reduction in short term due to more aggressive price competition	As per PO1 but greater reduction in short term due to more aggressive price competition
	Integration of tickets		Difficult in short term but positive over longer term	More effective protection of PSCs will help preserve integrated ticketing in urban areas	More effective protection of PSCs will help preserve integrated ticketing in urban areas
	Administrative burden (cost savings relative to the Baseline)	Abolish journey form	€4 million	€4 million	€4 million
		Simplify authorisation procedure	0	€1.4 billion	€3.5 billion
	Level of infringements		Fewer recorded infringements	As per PO1	Increase potential of infringements
	Congestion costs (change relative to the Baseline, present value 2015-2035)		€6.4 billion	€14.5 billion	€14.5 billion
	SMEs		New opportunities	Greater market	Reduced

			PO1	PO2	PO3
			but risk of consolidation in long term	stimulation so more opportunities	regulatory costs so even more opportunities
	Public Service Contracts (change relative to the Baseline, present value 2015-2035)	Coach	No impact	Overall increase in subsidy of less than 1%	Overall increase in subsidy of less than 1%
		Rail	No impact	Loss of revenue of 1.4%	Loss of revenue of 1.4%
Environmental impacts	CO_2 emissions	Net cumulative savings in CO2 emissions costs relative to the Baseline	€80 m	€183 m	€183 m
	Energy Use	Net cumulative energy savings relative to the Baseline (000 tonnes of oil equivalent)	3,600	8,400	8,400
	Air pollution	Net cumulative savings in air pollution costs relative to the Baseline	€250 million	€590 million	€590 million
Social impacts	Accessibility		No impact	No impact	Negative as effective enforcement more difficult
	Connectivity	Increase in billion pkm of disadvantaged social groups (in 2030 relative to the Baseline)	27	62	62
	Working conditions		Increased competitive pressure but no direct effect	As per PO1	As per PO1
	Employment (additional employment in 2030 relative to the Baseline)		37,000	85,000	85,000
	Road Safety	Savings in external costs of accidents relative to the Baseline (present value, 2015-2035)	€1.2 billion	€2.8 billion	2.8 billion

6.2. Impacts of policy options to address terminal access problems

6.2.1. *Economic impacts*

Transport Activity: Section 2.8 described the calculation of the terminal capacity that might be unduly suppressed because of discriminatory behaviour. It suggested that an additional 400 million vehicle kilometres might be accommodated if publicly owned capacity were available on a non-discriminatory basis and managed effectively. This has been used as a basis for estimating the effects of a one-off and sustained uplift in capacity as a result of introducing measures to ensure a level playing field in the allocation of terminal capacity.

The effects of the options for improving terminal access are small in comparison to the effects from the market access policy options. The effect under Option 4 is due to the measure encouraging terminal operators to provide non-discriminatory access that delivers an estimated increase of 0.9% in coach transport activity in 2030 relative to the Baseline. Under Option 5 the effect is due to the requirement for Member States to grant non-discriminatory access, leading to 1.7% increase in coach transport activity (around 10 billion pkm) relative to the Baseline in 2030. It is important to note that this increase is instead of, as opposed to in addition to, the uplift under market access policy options.

Table 6-5: Estimated impact of options on coach traffic levels

Metric		Change relative to the baseline in 2030	
		PO4	PO5
Billion passenger-km	National	4.4	8.8
	International	0.7	1.4
	Total	5.1	10.2
	% increase	0.9%	1.7%
Million journeys		24	47
Number of Services		38	76
Average load factor (p.p. change)		0.0	0.0

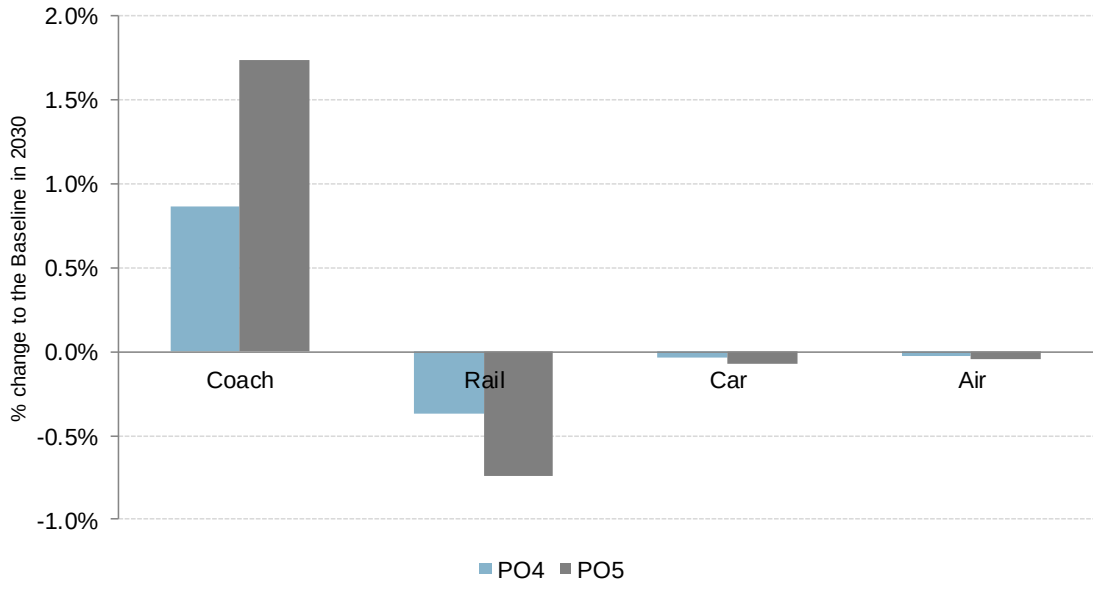
Source: Support Study for Impact Assessment 2016 Steer Davies Gleave

Revenue: The revenue impacts reflect the underlying traffic impacts. Option 4 generates roughly €6 billion in additional coach sector revenue over the timescale of the impact assessment relative to the Baseline (expressed as present value) but the additional revenue generated by Option 5 is more significant at an estimated €12.5 billion.

Level of performance of other modes of transport: The impact of each policy option on traffic carried by mode is shown in the figure below. The effects of Options 4 and 5 on modal share of coaches are limited. The small reduction in car transport represents an absolute reduction which is more substantial under Option 5. Option 5 also delivers twice as much of an increase in coach pkm as Option 4. Under Option 4 about 0.4% (2 billion

pkm) is diverted from rail in 2030 relative to the Baseline and under Option 5 it is about 0.7% (5 billion pkm). In both cases this is a very small portion of the traffic diverted from rail.

Figure 6-11: Impact of terminal options on other modes (% change in transport activity in 2030 relative to the Baseline)



Source: Adapted from Support Study for Impact Assessment 2016 Steer Davies Gleave

As the change in allocation of traffic across modes under terminal access options is small, the increase in the modal share of coach services is also small at an estimated 0.1 percentage points for both options relative to the Baseline in 2030.

The increase in coach traffic generated by the two options reduces the revenues earned by other forms of public transport. Under Option 4 rail revenues decrease by around 0.1% (€5 billion) during the timescale of the impact assessment relative to the Baseline. Under Options 5 the estimated reduction in revenues is about 0.3% (€9 billion) relative to the Baseline.

Quality of service: There is no evidence that Options 4 or 5 providing greater access to public terminals will have any effect on the quality of service. However improved access to terminals could encourage investment in new facilities.

Impact on market structure in the coach and bus sector: It is expected that Option 4 would support new entry and a more competitive market structure but under soft regulation the effect is likely to be marginal. The inclusion of the report provides the Commission with the opportunity to identify any remaining barriers but this would not encourage new entry unless followed up by further action.

The expected effect of Option 5 on market structure is greater than under Option 4 as where competition authorities have taken action to address discriminatory behaviour competing operators have been able to establish new services.

Potential relocation of businesses: Providing greater access to public terminals is not expected to have any material effect in the distribution of coach companies across the EU.

Fares for users: Given the estimated impact on traffic levels, it is not expected that the release of terminal capacity under Options 4 or 5 would have a material impact on fares other than on specific routes affected by discriminatory behaviour. Improved access to terminals could encourage investment in new facilities by new entrants and there is a risk that terminal facilities might be removed to exclude facilities from the scope of the Regulation if a prescriptive definition of a terminal is introduced.

Integration of ticketing and price competition: Option 4 could lead to more ticketing facilities at terminals under the measure encouraging non-discriminatory access, although the effect is likely to be marginal. A report by the Finnish Competition and Consumer Authority in 2016 reveals how discriminatory behaviour can impact on integration of ticketing and price competition. In summary it finds that the major bus companies formed a cartel with the aim of preventing market entry. In particular, by refusing access to certain services so competitors were unable to include their routes within published timetables, or sell their tickets through established service points.

The provision of ticketing facilities under Option 5 could be greater than under Option 4 as the terminal capacity released under a non-discrimination requirement could be expected to increase further. However, the effect is still likely to be limited.

Administrative Burden: The total level of administrative activity performed by operators and authorities decreases under both options relative to the baseline. Under Option 4 the administrative costs have limited or no impact. Under Option 5 there is a saving of about €110 million as improved terminal access results in reduced delay to the introduction of new services, enabling operators to secure incremental revenue more quickly (one year's delay under the baseline is eliminated).

Level of infringements of rules on access to the market: The assessment indicates that Options 4 and 5 would not have any material effect on level of infringements of rules on access to the market.

Level of congestion: There is an absolute reduction in car traffic as a result of the options, and since car traffic makes a major contribution to congestion the impact of the options on congestion costs is of a corresponding magnitude. The estimates indicate that Options 4 delivers a reduction of about €1.7 billion in congestion costs relative to the Baseline and Option 5 delivers an estimated reduction of nearly €3.4 billion over the timescale of the impact assessment, expressed as present value.

The removal of restriction in access to terminals located in urban areas may reduce urban congestion in the immediate vicinity of the terminal as coaches would have access to stands within the terminal and would not require to park at on street stopping points.

Economic effects for SME's: Under Option 4 new entry of SMEs could be supported. However, under soft regulation the effect is likely to be marginal.

Under Option 5 increased entry of SMEs is expected as the evidence indicates that where competition authorities have taken action to address discriminatory behaviour, competing operators have been able to establish new services. However, the overall effect is still expected to be limited.

Impact on public service contracts: Providing greater access to public terminals is not expected to have any material effect on public service contracts.

6.2.2. *Environmental impacts*

The changes to the level of transport activity, for both coach transport and competing modes, imply changes to the level of externalities produced by transport modes. The changes are smaller in the terminal access options compared to the market access options. In this section the impacts of the terminal access options on carbon emissions, air pollution and energy use are described.

Level of carbon dioxide emissions: The net cumulative savings in CO_2 emissions costs relative to the Baseline are relatively small and reflect the absolute reduction in car traffic achieved under each of the options. Under Option 4 CO_2 emission costs are reduced by about €20 million over the timescale of the impact assessment, expressed as present value. Options 5 delivers double the savings with net cumulative CO_2 costs being reduced by about €40 million (expressed as present value).

Energy use: The net reduction in cumulative energy use relative to the Baseline is also relatively small. Under Option 4 energy use is reduced by 850 thousand tonnes of oil equivalent relative to the Baseline over the timescale of the impact assessment. Option 5 delivers twice as much savings with a reduction of 1.7 million tonnes of oil equivalent relative to the Baseline.

Level of air pollution: Finally, the net cumulative savings in air pollution costs are also relatively small. Under Option 4 air pollution costs are reduced by about €70 million relative to the Baseline over the timescale of the impact assessment, expressed as present value. Under Options 5 savings in air pollution costs of about €135 million are achieved.

6.2.3. *Social impacts*

Working conditions and job quality: The assessment indicates that Options 4 and 5 would not have any material effect on working conditions and job quality.

Employment: In the calculation of the estimate of employment it is assumed that employment grows in line with transport activity throughout the assessment period. The two options result in an increase in employment in the coach sector. Under Option 4, there are just about 9,000 additional employees by 2030. Option 5 delivers more employment, with almost 18,000 additional employees by 2030.

We would expect that emerging technological developments in section 2.8, including the introduction of driverless vehicles, will have an impact on employment but it is not possible to project this with confidence at present.

Road Safety: The impact on road safety is positive for both options. The absolute reduction in car traffic drives savings in external costs of accidents relative to the Baseline over the timescale of the impact assessment. Under Option 4, savings of around €260 million would be generated relative to the Baseline, expressed as present value over the timescale of the impact assessment. With Option 5 the savings generated increase to around €520 million.

Accessibility for people with reduced mobility, rights of the elderly and integration of persons with disabilities: The assessment indicates that Options 4 and 5 would not have any material effect on accessibility for people with reduced mobility, the rights of the elderly or integration of persons with disabilities.

Connectivity of different social groups: The estimate of the proportion of additional traffic accounted for by passengers living in remote regions, passengers facing difficulty

paying bills and elderly passengers (65 and over) under each option is derived using the data from the Eurobarometer Report.

The results of the assessment show that these disadvantaged or vulnerable social groups would benefit significantly from all both options. Passengers living in remote regions account for around 28% of coach pkm. Relative to the Baseline, under Option 4 the pkm by this group will increase by about one billion pkm in 2030. Under Option 5 the increase will be about 3 billion pkm in 2030.

Passengers facing difficulties paying bills account for 8.5% of coach pkm. Relative to the Baseline, under Option 4 the pkm by this group will increase by almost 500 thousand pkm in 2030. Under Option 5 the increase will be almost one billion pkm in 2030 relative to the Baseline.

Elderly passengers account for 25% of coach pkm. Relative to the Baseline, under Option 4 the pkm by this group will increase by around one billion pkm in 2030. Under Option 5 the increase will be about 2 billion pkm in 2030 relative to the Baseline. In practice, it is expected that passengers facing difficulties paying bills will benefit disproportionately, since their travel decisions are typically constrained by fares on offer and lack of access to a car.

Table 6-6: Synthesis of Economic, Environmental and Social Impacts

			PO4	PO5
Economic Impacts	Transport activity in 2030 (difference to the Baseline)	Billion pkm	5	10
		% increase	0.9%	1.7%
		Million journeys	24	27
		Services	38	76
		Load factor	0.0	0.0
	Change in revenues relative to the Baseline (present value for 2015-2035)	€ Billion	6.2	12.5
	Performance of other modes relative to the Baseline in 2030 (in billion pkm and % change)	Coach	5 (0.9%)	10 (1.7%)
		Rail	-2 (-0.4%)	-5 (-0.7%)
		Car	-2 (-0.04%)	-4 (-0.1%)
		Air	0 (0%)	0 (0%)
	Modal Share in 2030	Impact on coach share (p.p. change to the Baseline)	0.1	0.1
	Quality of services	Frequency	0	0
		Availability	0	0
		Safety (savings relative to the Baseline)	€260 million	€520 million
		Ease of purchasing tickets	0	Purchasing of tickets easier in terminals
	Market structure		Support new entry but	Greater effect as operators enabled to establish new

			PO4	PO5
			effect is marginal	services
	Relocation of business		0	0
	Fares		0	0
	Integration of tickets		More ticketing facilities at terminals	More ticketing facilities as more terminal capacity released but effect still limited
	Administrative burden (cost savings relative to the Baseline)	Improved access to terminals	0	€110 million
	Level of infringements		0	0
	Congestion costs (change relative to the Baseline, present value 2015-2035)		€1.7 billion	€3.4 billion
	SMEs		New entry supported but impact is marginal	Operators able to establish new services but overall effect is limited
	Public Service Contracts	Coach	0	0
		Rail	0	0
Environmental impacts	CO_2 emissions	Net cumulative savings in CO2 emissions costs relative to the Baseline	€20 million	€40 million
	Energy Use	Net cumulative energy savings relative to the Baseline (000 tonnes of oil equivalent)	850	1,700
	Air pollution	Net cumulative savings in air pollution costs relative to the Baseline s	€70 million	€135 million
Social impacts	Accessibility		0	0
	Connectivity	Increase in billion pkm of disadvantaged social groups (in 2030 relative to the Baseline)	4	8
	Working conditions		0	0
	Employment (additional employment in 2030 relative to the Baseline)		9,000	18,000
	Road Safety	Savings in external costs of accidents	€260 million	€520 million

			PO4	PO5
		relative to the Baseline (present value, 2015-2035)		

7. HOW DO THE OPTIONS COMPARE?

7.1. Effectiveness and efficiency

The effectiveness and efficiency of the policy options for market access and terminal access are assessed separately against the policy objectives described in section 4. Considering that the regulatory costs are part of the policy objectives, the efficiency of the policy options is considered at the same time.

The effectiveness of the options depends on their ability to deliver the specific objectives set for this initiative. The effectiveness of PO1 is positive but limited. It will introduce more uniform market access rules and remove some restrictions on market access but Member States will still be able to restrict access to national inter-urban markets. In terms of cost effectiveness it rates the lowest with only a limited reduction in costs for operators and national authorities.

PO2 rates very effective in terms of delivering reduced fares and improved quality of services. It simplifies the authorisation procedure for operators providing them with greater transparency. It generates significant savings in environmental costs and an increase in modal share. It rates highly in terms of efficiency with significant reduction in costs for operators and authorities as a result of the simplification of the authorisation procedure and the introduction of a 100km threshold. There is a limited effect on PSC's and other transport modes.

PO3 brings additional gains in terms of effectiveness due to the abolition of the authorisation procedure for services carrying passengers over 100 km. There remains a limited effect on PSC's and other transport modes.

Strongly negative	Weakly negative	No or limited impact	Weakly positive	Strongly positive

Table 7-1: Effectiveness of market access policy options

	PO1	PO2	PO3
GO1: Facilitate inter-urban mobility and connectivity for all citizens by facilitating the provision of inter-urban coach services	Improves quality of service and reduces fares, simplifies authorisation process, and generates savings in environmental costs.	More aggressive fare and quality of service competition, further simplification of authorisation process, increased level of savings in environmental costs.	Same as PO2
GO2: Increase the modal share of sustainable transport modes	Moderate increase in modal share. No impact on PSCs and limited on performance of other modes.	More significant increase in modal share. Limited impact on PSCs and performance of other modes	Same as PO2

Efficiency shows the relation of achieved results and the necessary costs to do so. There are no major compliance or enforcement costs associated with any of the 3 market access policy options for either businesses or national authorities, and the administrative costs are reduced in comparison to the baseline. PO1 is positive in that it delivers the objectives at very limited cost and a small reduction in administrative burden of €4

million over 2015-2035 expressed as present value. However PO2 and PO3 have greater efficiency gains in that the deliver stronger results with limited costs and a substantial reduction in administrative burden of €1.4 billion and €3.5 billion 2015-2035 respectively. PO3 will require changes to enforcement and control. The abolishing of the authorisation procedure means that enforcement and control will now have to focus and access to the profession rules, the Community licence and road safety rules. Member States of establishment would have a much increased supervisory role. There would have to be increased cooperation between Member States to ensure the correct application of the Regulation. The only investigations that would take place would be in the Member State of establishment. Host Member States would rely on Member States of establishment would rely on Member States of establishment to carry out controls.

Table 7-2: Efficiency of market access policy options

	PO1	PO2	PO3
Compliance and administrative costs for businesses	+	++	++
Compliance, enforcements and administrative costs for authorities	+	++	+

For the terminal access policy options, the effectiveness of PO4 is very limited. There are some small positive impacts in terms of environmental costs, modal share and increases in transport activity and connectivity for disadvantaged social groups. The efficiency is weakly positive with small savings in compliance and administrative costs from the abolition of the journey form.

The effectiveness of PO5 is positive but limited with a greater increase in coach transport activity. There is also a positive impact on connectivity for disadvantaged social groups.

Table 7-3: Effectiveness of terminal access policy options

	PO4	PO5
Effectiveness		
GO1: Facilitate inter-urban mobility and connectivity for all citizens by facilitating the provision of inter-urban coach services	Increases transport activity and connectivity for disadvantaged social groups somewhat. Generates small savings in environmental costs. Small increase in modal share. No change to quality of service or fares. No impact on PSCs and negligible impact on performance of other modes	Increases transport activity and connectivity for disadvantaged social groups somewhat. Greater increase in transport activity and connectivity for disadvantaged social groups increases substantially. Limited impact on PSCs and other transport modes.
GO2: Increase the modal share of sustainable transport modes	Small increase in modal share.	Small increase in modal share.

PO4 whilst addressing the problem of restricted access to key infrastructure includes voluntary measures to encourage coach terminal operators to provide access. This may not be adopted by all Member States and accordingly may only partly address some of the problems identified in practice. The efficiency gain of PO4 is therefore limited as although there is no major costs for businesses or national authorities there are also

limited benefits associated with this option. PO5 is expected to deliver positive benefits in terms of facilitating inter-urban mobility at minor, if any, regulatory costs.

Table 7-4: Efficiency of terminal access policy options

	PO4	PO5
Compliance and administrative costs for businesses	0	+
Compliance, enforcements and administrative costs for authorities	0	+

7.2. Coherence

In terms of the coherence with EU policy, the following aspects have to be examined:

- Internal coherence among the policy measures under consideration;
- Coherence with key EU policy objectives; and
- Coherence with other relevant EU legislation, including access to the profession, social legislation and the Posting of Workers Directive.

The policy options are coherent with two key overarching EU strategies, the Agenda for Jobs, Growth, Fairness and Democratic Change of President Juncker[57] and the 2011 White Paper on transport policy[58].

All options contribute positively to employment but the impacts of Option 2 and Option 3 are much greater than the other options. The opening of national markets by Options 1, 2 and 3 and the requirement to grant non-discriminatory access to terminals in Option 5 contribute positively to a fairer and deeper internal market. Option 4, which encourages terminal operators to provide access, is neutral.

The general aim of EU transport policy is to reduce the adverse effects connected with mobility which above all means the promotion of co-modality i.e. optimally combining various modes of transport within the same transport chain. The objectives of this initiative are coherent with the 2011 White Paper as described in section 2.1 in that they both aim to make greater use of bus and coach as part of the core network for multimodal intercity travel. Under all 5 options the amount of traffic generated by the combination of rail and coach increases. The aim of and this initiative is complimentary to the aims of rail as they both have the objective of increasing the modal share of the more sustainable transport modes and improving performance vis-à-vis car.

The Commission's Roadmap for moving to a competitive low carbon economy in 2050 and the White Paper, transport as a whole has to reduce its CO2 emissions by 2050 of about 60% vs their 1990 level. The average CO2 emissions of bus and coach per passenger transported are best in class (with e-train) for long distance transport and as such these services can play a significant role in decarbonisation of transport. The revision is coherent with this strategy as the aim of sustainability is shared and the aim of increasing the modal share of sustainable transport modes is complementary to the aims of emission reduction, low-carbon, and a climate-friendly economy. All 5 options deliver savings in environmental costs of energy use, carbon and air pollution and contribute

[57] Juncker, J.-C. (2014): A new start for Europe. My agenda for Jobs, Growth, Fairness and Democratic Change. Political Guidelines for the next European Commission.

https://ec.europa.eu/priorities/sites/beta-political/files/juncker-political-guidelines-speech_en_0.pdf.

[58] COM(2011) 144 final of 28.3.2011.

positively to the objective of cutting transport emissions in the Energy Union and the 2011 Transport White Paper.

The absolute reduction in car traffic results in a fall in accident costs under all options is positive for road safety. The market opening options will deliver a higher share of collective transport (coach and rail combined) increasing the density and frequency of service, thereby generating a virtuous circle for public transport modes. The aim of the Eurovignette directive[59] is to improve the functioning of the road transport internal market by reducing the differences in the levels and systems of tolls and vignettes applicable in Member States and to take better account of the principles of fair and efficient pricing by providing for greater differentiation of tolls and vignettes in line with costs associated with the road use. The inclusion of buses and coaches will help to diminish distortions of competition in the internal market for passenger transport by according preferential treatment (i.e. exemption from paying for the use of infrastructure) to these vehicles vis-à-vis rail transport, which is subject to such charging. Requiring non-discriminatory access to terminals promotes the greater integration of the modal networks providing citizens with a better modal choice.

Strongly negative	Weakly negative	No or limited impact	Weakly positive	Strongly positive

Table 7-5: Coherence of market access policy options with overarching EU Strategies

	PO1	PO2	PO3
Agenda for Jobs, Growth, Fairness and Democratic Change of President Juncker			
Boost for Jobs, Growth and Investment	Slight positive impact on employment levels.	Positive impact on employment levels	Positive impact on employment levels
Resilient Energy Union with a Forward looking Climate Change Policy	Limited but positive impact on net energy usage, net CO2 costs and net air pollution costs	Substantial positive impact on net energy usage, net CO2 costs and net air pollution costs	Same as PO2
Deeper and fairer internal market	Introduction of more uniform market access rules but some restrictions remain on access to inter-urban services	Introduction of more uniform market access rules with authorisation procedure for inter-urban services.	Introduction of more uniform market access rules and abolish authorisation procedure.
2011 Transport White Paper			
Access to market and fair competition	Non-discriminatory access to national markets but some markets and routes will remain restricted	Non-discriminatory access to national inter-urban markets	Same as PO2
Transport emission reduction	Reduction in transport emissions	Significant reduction in transport emissions	Same as PO2
Road Safety	Reduction in net	Significant reduction in	Same as PO2

[59] COM/2017/0275 final - 2017/0114 (COD)

	accident costs	net accident costs	
An efficient core network for multimodal intercity travel and transport	Positive impact on number of services and size of network	Strongly positive impact on number of services and size of network	Same as PO2

Table 7-6: Coherence or terminal access policy options with overarching EU Strategies

	PO4	PO5
Agenda for Jobs, Growth, Fairness and Democratic Change of President Juncker		
Boost for Jobs, Growth and Investment	Slight positive impact on employment levels.	Same as PO4
Resilient Energy Union with a Forward looking Climate Change Policy	Limited but positive impact on net energy usage, net CO2 costs and net air pollution costs	Same as PO4
Deeper and fairer internal market	Very limited/insignificant due to voluntary nature of measures	Positive impact as discriminatory access to terminals is prevented.
2011 Transport White Paper		
Access to market and fair competition	Limited as non-discriminatory access to terminals is not guaranteed	Positive impact as discriminatory access to terminals is prevented
Transport emission reduction	Reduction in transport emissions	Same as PO4
Road Safety	Reduction in net accident costs	Same as PO4
An efficient core network for multimodal intercity travel and transport	Limited as carriers may still be discriminated in access to inter- and intra-modal terminals	Positive impact as discriminatory access to intra- and inter-modal terminals is prevented

Market opening may increase the competitive pressure on operators and their workers in non-liberalised markets. In this context there is an interaction with the legislation on access to the profession, social legislation and the Posting of Workers Directive. The strengthening of criteria of establishment and better cooperation between Member States in the legislation on access to the profession together with the clarifications of the posting rules applicable to road transport provided in the recent legislative proposals have been considered. While there are interactions due to the impact of these changes, overall the revisions make little difference to the assessment of impacts of the options and do not change the preference ordering of the policy options.

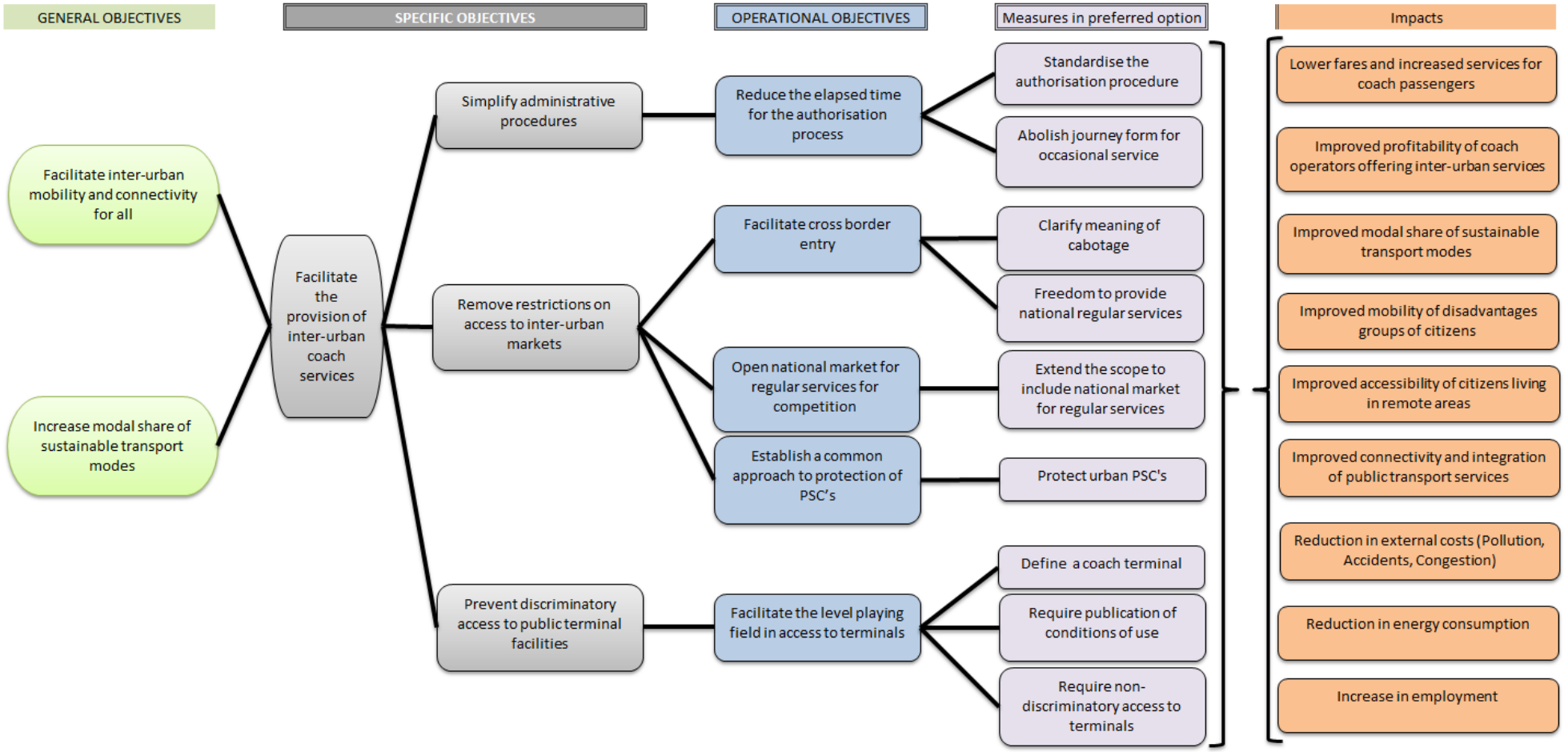
No significant coherence issues have been established regarding the interaction between the different policy packages and the Tachograph Regulation.

7.3. Proportionality of the preferred option

The preferred option does not exceed what is necessary to solve the problems and meet the objectives of the initiative. The problems identified can be best addressed at EU-level in the context of an amendment to the Regulation. The scope of the Regulation includes the international carriage of passengers by coach and bus within the territory of the EU as well as the conditions under which non-resident carriers may operate national transport services within a Member State. For a policy intervention in the internal market, and

more importantly for international transport, it is necessary to have uniform implementation across all Member States and to ensure the homogeneous application of the rules and provide for fair competition. Under these conditions regulations are the most appropriate instrument as they provide clarity and they do not need to be mediated into national law by means of implementing measures.

Figure 7-1: Preferred Option Intervention Logic



7.4. Conclusion of the comparison of options and combined effects

Based on the analysis above, **the preferred policy option to simplifying administrative procedures and remove restrictions on access to inter-urban markets rules is PO2 'Open access to the inter-urban market for regular services with the possibility to refuse authorisation if the economic equilibrium of an urban PSC is compromised'**. It provides the same positive impacts as PO3 in terms of increasing the mobility of citizens with little or no access to other modes of transport and increasing the provision of inter-urban regular services. The competent competition authorities would have a role of ensuring that the efficiency gains resulting from the removal of market restrictions are not unduly appropriated through the abuse of a dominant position by one player, leading to higher fares. The inclusion of the measure abolishing journey forms will also reduce costs of entry for the providers of occasional services. PO3 has the largest reduction in administrative burden which is as a result of the abolition of the authorisation procedure for regular services. PO3 significantly alters the enforcement and control possibilities. Host Member States would rely on Member States of establishment to carry out controls and would be deprived of direct enforcement possibilities.

15 of the 20 Ministries/Regulators (75%) that responded to the targeted stakeholder questionnaire supported keeping the authorisation procedure. In their opinion it was a useful tool to monitor the market and ensure safety standards were met.

On the other hand, PO2 benefits from a new simplified authorisation procedure that provides for effective monitoring of market developments and ensuring that services are operated safely.

The preferred policy option to simplifying administrative procedures and providing for greater terminal access is PO5 'Equal access rules'. It provides the most positive impacts in terms of increasing the availability of existing public terminal capacity, increasing the modal share of interurban coach services and increasing the number of low income citizens and regions connected by coach services.

As previously described in section 5.2 the sets of market access policy options and terminal access policy options have been considered separately as they are not interlinked and the geographical scope of the effect is different in each case. The outstanding question is in how far the envisaged options would have impacts that are not captured by simple aggregation of those already reported. It is considered that **PO5 would reinforce the impact of PO2 and have important synergy effects as follows**:

1. Terminal capacity must be used as efficiently as possible to maximise the benefits of liberalisation. The growth in the number of services following market opening can quickly absorb available terminal capacity and the ability to investigate the allocation of capacity within individual terminals independently can results in a significant uplift and allow new services to be accommodated.
2. The presumption in favour of non-discrimination would help to ensure a more favourable business environment for new and smaller operators, allowing them to plan services with greater confidence.
3. The presumption in favour of fair and non-discriminatory access could reduce the number of allegations of discriminatory behaviour (through a deterrence effect) and the costs of investigating them (by providing legal clarity). If so, there would be a reduction in the administrative burden for all affected stakeholders.

4. New public terminal facilities would be subject to new legislative provisions governing access, preventing dominant operators establishing rights to capacity that might become entrenched.
5. New rules to ensure fair and non-discriminatory access to public terminals would be in line with broader EU competition law and policy, as well as legislation governing other sectors. It would help to reinforce the expectations of operators and policy makers about the direction of travel of the coach industry.

It would limit the ability of stakeholders to frustrate liberalisation through control of access to terminals.

One of the key objectives of this REFIT initiative is to reduce the administrative burden for private operators. The following table summarises the expected impacts of the preferred option on business costs.

Table 7-7: "REFIT" balance of the preferred option (Figures provided represent Net Present Values for the period 2015-2035 in million Euros)

Policy measure	Total impact expected	Qualitative assessment/comment
C4: Abolition of journey forms	4	A small saving due to the abolition of journey forms for occasional services
C1 & U4: Standardise authorisation procedure and set common requirements for the protection of PSCs meeting the needs of urban areas	1,450	A standardised authorisation procedure and the introduction of 100km threshold simplifies the authorisation process and reduces delay to securing incremental revenue for operators (reduction from current 4 months to 2 months expected by stakeholders)
T5: Require Member States to grant non-discriminatory access to terminals	110	Improved terminal access results in reduced delay to the introduction of new services, enabling operators to secure incremental revenue more quickly (one year's delay under the baseline is eliminated)

The main impact of the preferred option is the standardisation and simplification of the authorisation procedure which is expected to save €1,450 million for the period 2015-2035 relative to the Baseline, expressed as present value. This saving results primarily from speeding up the authorisation procedure. The opening of a new coach line can only be refused for a number of defined grounds. The opening of a new coach line that carries passengers more than 100km cannot be refused to protect PSCs or because the principal purpose of the service is not to carry passengers between stops located in different Member States. This makes the authorisation regime simpler, more transparent and effectively lowers the barrier for new entrants. Operators benefit because fewer refusal grounds provides them with more certainty when they are assessing the viability of a new line.

Competent authorities also benefit from a reduction in administrative costs associated with national authorisation procedures and possibly because fewer disputes about negative decisions. There will no longer be a requirement for authorising authorities to seek the agreement of the competent authority of all Member States in whose territories

passengers are picked up or set down for services carrying passengers over 100km. The time taken for an authorising authority to take a decision on the applications for these services can be reduced from 4 months to 2 months.

Savings of €110 million NPV over the period 2015-2035 relative to the Baseline are expected as a result of improved terminal access. This will reduce the delay for undertakings gaining access to terminals and enable them to commence the new coach line earlier securing incremental revenue more quickly.

The final saving on administrative burden is expected from the abolition of the journey form for occasional services. This is expected to save €4 million over the period 2015-2035 relative to the Baseline, expressed as present value. These savings result from undertakings having less administrative work to complete the forms and national authorities having less administrative costs from producing, distributing, collecting and monitoring the books of journey forms.

8. HOW WOULD ACTUAL IMPACTS BE MONITORED AND EVALUATED?

The Regulation does not contain satisfactory monitoring and reporting arrangements so the quality and availability of data and statistics pertaining to aspects of the Regulation is often limited. Although the information required to be reported under Article 28(1) & (2) of the Regulation is clear, the start and finish dates of the reporting period are not provided and no deadline for the submission of the report is mentioned. This has resulted in inconsistent reporting periods being used and reported by Member States. Even if good and reliable data were available on the number of passengers and the amount of pkms concerning cabotage operations, there are few statistics available for sub-sections of the market (e.g. medium or long distance coach services) to put the cabotage data into context.

The European Commission will monitor and evaluate the implementation and effectiveness of the legislation. The functioning of the Regulation should be observed to determine to what extent its provisions have contributed to a better functioning road passenger transport market. Thus the reporting obligation in the Regulation needs to be strengthened in order to allow a systematic analysis of the market. The Regulation needs to make clear what data (definition) needs to be gathered and reported as well as what kind of analysis/report is produced by the European Commission. The relevant data should be available from Member States.

The Regulation should have a provision which foresees a review and the evaluation of the new rules some five years after they apply. The evaluation could amongst others assess to what extent the revision of the Regulation has contributed to reaching its objective of simplifying administrative procedures, remove restrictions on access to inter-urban markets and preventing discriminatory access to public terminal facilities.

Operational Objectives	Indicator	Sources
Reduce the elapsed time for the authorisation process	Average reported elapsed time by Member State	MS Reports
Open inter-urban market for regular services for competition	The following metrics on regular services disaggregated by national and international traffic • Passenger km • Number of journeys • Number of services	MS Reports EU Transport in figures *Note: Total passenger km*

Operational Objectives	Indicator	Sources
	• Number of operators Modal share of inter-urban coach services Number of complaints relating to regular services	*already available for all Member States but reliability needs to be improved. The aim is to ensure consistent treatment of international traffic.*
Establish a common approach to protection of PSC's	Number of authorisations for regular services refused on the grounds they would affect PSC Number of complaints relating to PSCs	MS Reports
Facilitate cross border entry	Number of carriers operating domestic regular services in a host Member State Number of carriers refused authorisation to operate regular services in a host Member State	MS Reports
Facilitate the level playing field in access to terminals	Number of complaints relating to terminal access Number of operators using terminals	MS Reports

ANNEX 1: PROCEDURAL INFORMATION CONCERNING THE PROCESS TO PREPARE THE IMPACT ASSESSMENT REPORT AND THE RELATED INITIATIVE.

Lead DG

The lead DG for this initiative is DG MOVE. This impact assessment report concerns the initiative with Agenda planning reference 2016/MOVE/002 - "Better functioning of the market for bus and coach transport - Reg 1073/2009".

Foreseen adoption date: 4th Quarter 2017.

Organisation and timing

The initiative was validated in December 2016 and the impact assessment work started immediately afterwards. It lasted until August 2017.

The Inter-service Steering Group was chaired by the Secretariat-General with the close involvement of DG MOVE. All consultations of the associated DGs were closely coordinated between the two services.

The following DGs participated in the Inter-service Steering Group: DG COMP, DG RTD, and DG EMPL.

Inter-service Steering Group meetings were held on 25 October 2016 and 13 June 2017.

Consultation of the Regulatory Scrutiny Board

The Regulatory Scrutiny Board received the draft version of the present impact assessment report on 28 June 2017 and following the Board meeting on 19 July 2017 issued a negative opinion on 24 July 2017. The Board made several recommendations. Those were addressed in the revised IA report as follows:

RSB recommendations	Modification of the IA report
Main considerations	
1. The report does not make a convincing, evidence-based argument why national markets for buses and coaches and access to public terminal facilities should be regulated at the EU level.	The argumentation of the report has been strengthened to clarify the need for action at the EU level. This includes the insertion of further evidence from the Evaluation Report and the support study. An additional problem with the lack of an attractive mix of alternative sustainable transport modes has been inserted. Also problems with objectives not aiming at integrating national markets and the problem of discrimination in access to terminals are added (see section 2.3). The problem definition is restructured and revised to take into account the problems identified in the Evaluation section including in particular the low modal share of sustainable transport modes (see

	section 2.4). The description of problem drivers is revised and provides further information about how national restrictions prevent carriers from extending their networks (see in section 2.5.1). The EU dimension of the problem has been developed to explain further the integration between national and international markets (see section 2.7). The reasoning concerning the legal basis is revised to account for the interaction between the commercial services and PSCs (see section 3.1 and 3.2.1).
2. The objectives of the initiative are not presented in a consistent way throughout the text. It is not clear to what extent the initiative aims to increase accessibility and connectivity for disadvantaged consumers compared to lowering environmental impacts. The report does not explore potential conflicts with obligations to serve remote areas via inter-urban bus services. If liberalisation erodes Public Service Contracts, bus service providers may drop unprofitable connections to low-density regions and urban centres, going against the objective of greater connectivity for all citizens. If, on the contrary, Member States maintain these routes using Public Service Contracts, subsidy requirements will increase or the effectiveness of the initiative is likely to be small.	The general objectives are revised. There are two general objectives; Facilitating inter-urban mobility and connectivity for all citizens and increasing the modal share of sustainable transport modes. The objectives are complementary and not mutually exclusive and the proposed measures serve both objectives (see section 4.1) An overview of public service contracts is provided (see section 5.1). The expected impacts on public service contracts are described (see section 6.1.1). The section describes the likely responses to the introduction of commercial services. The impact is further explored whilst discussing the impact of the options on the connectivity of different social groups (see section 6.1.3).
3. The report ignores national differences in road and rail transport sectors. It does not differentiate the impacts across Member States according to the availability of public inter-urban services and national differences in bus and coach regulations.	A description of the impact of national differences between road and rail have been included (see section 6.1.1 subsections on fares, level of performance of transport modes and impact on public service contracts and section 6.1.3. subsection on the connectivity of different social groups).
4. The report does not address stakeholders' reservations on the proposed policy option.	Stakeholders' reservations have been included (see section 5.2) and addressed (see section 5.4 and 5.6).
Further considerations and adjustment requirements	
1. Need to act at EU level and stakeholders' views	
• The report should clarify the added value of EU level intervention; given that the impacts concern mainly national markets and that the effect on global social costs of transport (CO2 emissions) is small.	The problem definition including the EU dimension of the problem, objectives and impact sections has been restructured and revised to clarify the added value of EU level intervention. More detail has been provided on the impacts on users in the subsection on fares and service quality (see

	section 6.1.1) and the connectivity of different social groups (see section 6.1.3)
• The conclusions of the evaluation regarding shifts between modes of transport should be discussed in the problem definition and be taken into account when assessing the need for action and the objectives of the initiative.	The presentation of the evaluation results has been revised (see section 2.3). The finding in the evaluation report that reveals a lack of accessibility of affordable transport as a problem (which was not a problem addressed by the original Regulation and was therefore not explicitly evaluated) has been added. The evaluation results are more explicitly taken into consideration in the revised problem definition (see section 2.4) and objectives (see section 4) including the separate introduction of a new general objective to increase the modal share of sustainable transport modes.
• Critical views of stakeholders should be mentioned and put into context.	The critical views of stakeholders are included and better put into context (see sections 5.2 and 5.4). The report has been reviewed to respond to the concerns of stakeholders regarding possible negative effects of further liberalisation (see section 6.1.3).
• Explain Member States' views on further liberalisation and why some of them have decided not to open their national markets.	The views of Member States on further liberalisation, where known, are included together with further information on non-liberalised Member States (see section 2.4).
• Explain to what extent the initiatives under the package respond to stakeholders concerns regarding social aspects and safety.	The interlinkages between the initiatives and the way in which they jointly contribute to a fair, efficient, environmentally and socially sustainable road transport sector are explained (see section 6.1.3).
2. Objectives and Intervention logic	
• Clarify which relative weight accessibility and the reduction of external costs have and what dominates in case of conflict.	Section 4.1 is revised and restructured with the inclusion of a second general objective aimed at increasing the modal share of sustainable transport modes. The report is now focused on both facilitating inter-urban mobility and connectivity for all and increasing the modal share of sustainable transport modes. The initiative is expected to have an immediate positive impact on the level of accessibility and a more long term positive impact on external costs due to modal shift.
• Explain the need to act at EU level with regard to the social objectives.	The problem definition and objectives are restructured and reviewed. The social objective has been removed, as the transport disadvantage of certain groups of citizens is now considered as a consequence to the problems identified. However, the mobility of EU citizens, especially access to low-price international travel options is considered a valid higher level objective that is served by the general objective of the initiative (see sections 2

	and 4 and Figures 2-1 and 7-1).
• Clearly link the identified problem (i.e. "operators are facing obstacles in national markets to develop inter-urban coach services") to the objectives and the options proposed and how it affects international coach services.	The restructuring of the problem definition and the objectives provide further clarity on the link between the problems and objectives. The link is also described in the intervention logic in figure 7-1.
• Explain the role and the prevalence of the Public Service Obligations for national and local bus services.	An introduction to PSC's and a discussion of the role of PSC's is included in the report (see section 2.5.1). The impact on PSCs is restructured and reviewed in section 6.1.1.
• Reconsider the need to act and strengthen the subsidiarity element in light of the importance of Public Service Contracts (PSC).	The reasoning concerning the legal basis has been revised to include the issue of PSCs (see section 3.1). The authorisation procedure now an independent body in each MS. A competent authority or operator of a PSC can request that the independent body assess whether the economic equilibrium of a PSC would be compromised by the proposed new service under certain circumstances.
• Better explain the choice of options and packages.	The reasoning behind the formulation of the options is better explained in section 5.6.
• Further clarify how the options would be implemented in practice.	Each individual option is further clarified in section 5.6.
• Define what exactly is a 'terminal statement' and what 'essential information' it would provide.	The terminology is changed to 'conditions of use' and defined in Section 5.1 under objective SO3 policy measure T3.
3. Assessment of impacts	
• The baseline should refer to likely technological changes in the road sector and other transport modes, and how these impact on social costs.	Likely technological changes are described in section 2.8
• The report should provide more detail on likely impacts on users and better explain to what extent the proposed options would make a difference for disadvantaged groups of persons.	More details on impacts are provided in section 6. See in particular section 6.1.3 subsection Connectivity of different social groups
• It should indicate whether the price reductions observed for early liberalisation episodes can be expected to last or whether market concentration (like in the case of urban deregulation) will increase prices at a later stage.	Additional information has been added on fares (see section 6.1.1). The price reductions that are the likely result of early liberalisation can be expected to persist to a considerable extent due to the combined effect of market supervision by regulatory authorities (in case of abuse of market power by oligopolists) and by the dynamics typical for this type of market. As fixed investment required for market entry is typically very low (no infrastructure investment, availability of leased bus capacity) new entry will be provoked by excessive price rises. These markets will therefore remain

	contestable after the elimination of national regulatory barriers.
• The report should more transparently present the methods used, the limitations and uncertainties faced, as well as the assumptions made.	Further information on the methods used, the limitations and uncertainties faced, as well as on the assumptions made have been inserted throughout Section 6.
• The analysis should provide more information on the expected effects in individual countries.	Section 6 explains that the expected effect is more likely to be determined by the response of the PSO operator or by the competent authority.
• The report should incorporate existing differences in the organisation of inter-urban public transport when assessing the effects of liberalisation.	Differences between MS's are incorporated into the subsection on fares for users (see section 6.1.1) and the subsection on connectivity of different social groups (see section 6.1.3). However, country specific projections could not be obtained from the modelling.
• The report should assess modal shift potential and social impacts taking into account different national patterns of potential substitution or complementarity between rail and road transport.	Modal shift potential is discussed in section 6.1.1. and further evidence is presented in subsections on Fares for users and service quality and Level of performance of other modes. The connectivity of different social groups is discussed in section 6.1.3. and further evidence is presented on the expected positive impact of liberalisation.
• The report should indicate the likely developments of PSC in a liberalised context.	Section 6 explains that the expected effect is more likely to be determined by the response of PSO operator or by the competent authority. It provides the mechanisms by which liberalisation may result in change, as well as further available evidence from different markets.
• The expected modal shift should be indicated in absolute numbers to make them comparable and their overall importance should be assessed.	Absolute figures have been inserted into the subsection on the level of performance of other modes (see section 6.1.1 and 6.2.1).
• The report should make clear whether or not liberalisation is expected to lead to greater congestion in urban areas.	It is clarified that there is no evidence that liberalisation would lead to greater congestion in urban areas (see section 6.1.1 – level of congestion)
• The discussion of access to terminals should further assess the need for and the ways how to regulate fair access.	The problem driver of restricted access to key infrastructure is developed further to better demonstrate the need for regulated fair access (see section 2.5.3). Measures T1 to T6 on access terminals (see section 5.2) and policy options PO4 and PO5 have been further developed to demonstrate how to regulate fair access (see section 5.6)
• It should take into account that a lack of restrictions in terminal access can substantially increase urban congestion.	It is clarified that there is no evidence that eliminating restrictions to terminal access would lead to greater congestion in urban areas (see

	section 6.1.1 – level of congestion)
4. Coherence with other transport policies	
• The evaluation of coherence should further analyse relevant links and synergies (or risks of redundancies) with other transport policies.	The links with other road initiatives in the package has been further analysed (see section 6.1.3); the same has been done for other transport policies (see section 7.2).
• The options should be evaluated in the context of synergies with other interventions to de-incentivise road transport (e.g. Eurovignette) and support for the rail sector.	The synergies with other interventions of the options are discussed (see section 7.2).

The Regulatory Scrutiny Board received the revised version of the impact assessment report on 29 August 2017 and issued in written procedure a positive opinion with recommendations on 13 September 2017. The Board made further recommendations which were addressed in the revised IA report as follows:

RSB recommendations	Modification of the IA report
Principal recommendations	
(1) The revised report does not provide clear evidence that EU regulation improves national inter-urban bus services.	The EU dimension of the problem is further developed to explain the need to liberalise national coach services. This includes further clarification on the link between national and international services and that the liberalisation of national markets can be a critical factor in the provision of new international services (Section 2.7).
(2) It does not sufficiently substantiate that public service arrangements to ensure bus connectivity of remote urban centres are not undermined by the regulation.	The models of PSC typically used to connect rural areas are presented (Section 2.5.1). The expected impact on rural bus services is presented and it is clarified that MS's will continue to be free to organise PSO's in such a way as to ensure bus connectivity of remote urban centres under all options (Section 6.1. subsection 'Impact on public service contracts').
(3) The report does not provide detailed information on local bus terminal capacities. It does not show that there are no risks to the economic viability of current terminal operations or of increasing urban congestion levels.	Additional information on terminals is presented. It is clarified that this IA focuses on equal access to terminals and not on constrained terminal capacity which is an issue for local, regional and national authorities (Section 2.5.3).
Further considerations and adjustment requirements	
1a. The report should further substantiate the need to liberalise domestic bus transport at	It is clarified that an increase in performance of international market is one of the primary

EU level. It should demonstrate that cross-border supply will increase national service levels without creating bottlenecks in terminal capacity.	objectives of the Regulation. There is evidence that this increase is driven by domestic demand (Section 2.7.). Our aim is to ensure that the existing excess in terminal capacity is used. It is clarified that the supply of additional terminal capacity is outside the scope of this revision and that this proposal will help to allocate and use existing terminal capacity efficiently (Section 2.5.3).
1b. The report should take into account the current regulatory status of national markets. It should be made clear to what extent differences in stakeholders' views reflect these differences in national markets.	The current regulatory status is presented in Table 2.4. The differences in stakeholders' views of the market access options are presented in section 5.1.
2a. The report is now more transparent concerning the new limitations introduced by the preferred option to the protection by Member States of PSCs, both in terms of geographic scope and modalities for the rejection of the required authorization. However, at places (e.g. on p. 18, 25 and 32) the report continues to suggest that, in all cases, commercial services will only be permitted if they do not compromise PSCs. The report makes clear that the preferred option limits the PSC protection to urban (less than 100 km) services. But it should justify the need for a new "economic equilibrium test", carried out by an independent body rather than competent authorities, to protect PSCs in urban services. The report should also clarify the consistency of these new envisaged measures with the provisions of Art. 14 (TFEU) and Protocol 26.	The current authorisation procedure includes an economic equilibrium test for international regular services. This test has been changed and will now also be used for national and international regular services. The test has been developed to be coherent with test carried out by other transport regulatory bodies assessing the economic equilibrium of a PSC. The independent body has been proposed to ensure the impartiality and objectivity of the economic analysis and is further explained (Section 5.3). It is clarified that all measures are consistent with the provisions of Art. 14 (TFEU) and Protocol 26 (Section 3.1).
2b. The report presents service arrangements for low-density regions as of minor importance. It should be more transparent on the subsidy requirements to maintain such inter-urban public service arrangements as a consequence of the liberalisation. It should explore to what extent the ability to protect public service contracts could limit the effectiveness of the liberalisation.	The impact on PSC serving low density regions is presented with the impacts on urban PSCs including a description of the balance between protection of rural PSCs and market opening (Section 6.1. subsection 'impact on public service contracts').
2c. The report should discuss whether competition- or labor market policies are needed to avoid a decline in competition in the supply of bus services or the erosion of labour market standards over time. It should	It is clarified that the competent authorities have the role of ensuring that there is no decline in competition in the supply of bus services after the removal of market restrictions due to the abuse of a dominant

provide information on the costs of such measures.	position by one player (Section 6.1). As for the labour market policies the posting of workers' rules will ensure both fair working conditions for drivers and fair competition between operators. This has been developed in Section 6.1.3.
3a. Additional information on differences in terminal capacity across regions and cities would avoid the risk to have overlooked capacity constraints in some places. This would qualify the expectation that additional traffic can be accommodated everywhere. This could also explain why there is stakeholder demand for additional terminals.	Information on capacity constraints at the level of regions and cities is limited but we know that the provision of terminals varies in the EU and at the level of MS. We have no evidence to indicate that additional traffic can be accommodated everywhere. We are aware that many terminals appear to have adequate capacity for current services, particularly in Central and Eastern European States, if they were built at times when car ownership was lower. However, this is not always the case (Section 2.5.3).
3b. The report should give more information on why and how bus terminals are managed. It should explore to what extent the reported excess capacity is due to management regimes to avoid urban congestion and/or access pricing regimes to cover their full costs.	Further information about the management of terminals is presented in section 2.5.3. It is clarified that there is excess capacity in some Member States but this is due to the decline in the coach market as a result of increasing car ownership reducing the demand for long distance coach travel.
4. Removing some of the duplications contained in the report would help reduce its excessive length (e.g. similar evaluation findings are mentioned on p.8 and again on p.11, p.42). Inconsistencies need to be addressed (e.g. Sweden is indicated a fully liberalised Member State according to fig 6.1 p.35 but only for distances above 100km according to p.38; a new objective has been added but is not taken into account when assessing the effectiveness of the different options). Overall, the level of precision of estimated impacts (e.g. number of services estimated under each option) should not exceed the level of confidence allowed by the model. Excessive precision in the figures quoted may give a false sense of scientific rigour to rough estimates subject to numerous assumptions and limitations.	Duplications have been removed and inconsistencies are addressed. Figures quoted now better reflect the assumptions and limitations.

Data used in impact assessment and external expertise

The Commission sought external expertise in the economic field through a contract for a support study with Steer Davies Gleave. In the course of the support study, a wide range of stakeholders were consulted to confirm the scope and the magnitude of the problems and to provide their views on the potential solutions to these problems[60]. This IA support study itself followed on from the ex-post evaluation of Regulation (EC) No 1073/2009[61] and a fact-finding study[62]. In parallel to these studies, the Commission services sought further expertise and input from stakeholders by means of dedicated meetings throughout the impact assessment, an open public consultation[63].

Other sources of data used included:

– Study on Passenger Transport by Coach in Europe Final Report, July 2009;

– Impact Assessment accompanying the proposal for a Regulation of the European Parliament and of the Council on common rules for access to the market in coach and bus services (recast), SEC(2007) 635 of May 2007;

– Member State reports on the activities of the competent authorities delivered to the Commission under Article 26 of Regulation (EC) No 1071/2009;

– Member State reports on the activities of the competent authorities delivered to the Commission under Article 28 of Regulation (EC) No 1073/2009 (unpublished).

[60] See Annex 2 Stakeholder consultation synopsis report for further details.

[61] Insert link

[62] This study was the main basis for the Commission's ex post evaluation of the Regulations: https://ec.europa.eu/transport/sites/transport/files/modes/road/studies/doc/2016-04-passenger-transport-by-coach-in-europe.pdf

[63] http://ec.europa.eu/transport/node/4841

ANNEX 2: STAKEHOLDER CONSULTATION SYNOPSIS REPORT.

Introduction

This stakeholder consultation synopsis report provides a summary of the outcomes of the stakeholder consultation activities which were carried out as part of the review of the legislation on access to the international market for coach and bus services. It provides a basic analysis of the responses of stakeholder groups involved in the consultation process and a summary of the main issues which they raised. Five separate consultation activities were undertaken, namely:

- an open public consultation organised by the Commission services which was launched on 14/12/2016 and lasted until 15/03/2017 (13 weeks);
- a targeted stakeholder consultation organised by Steer Davies Gleave which was launched on 27 January 2017 and remained open until 24 March 2017 (9 weeks);
- 18 interviews with a number of stakeholders, including industry representatives, trade unions, national authorities and operators, which took place during the period 9 March 2017 to 19 April 2017;
- a Special Eurobarometer organised by the Commission, based on interviews with 27,901 respondents at their homes across 28 Member States between 18 March 2017 and 27 March 2017; and
- stakeholder seminars and discussions at several different events.

The objectives of the consultation activities were to:

- provide the public and stakeholders with an opportunity to express their views on all elements relevant for the functioning of the internal market in road passenger transport, as well as to express their positions on the possible/desirable changes to the regulatory framework; and
- gather specialised input (data and factual information, expert views) on specific aspects of the legislation (e.g. national markets for regular services, terminals, etc.) from the enforcement community and from the industry, in order to prepare the impact assessment and the legislative proposal.

Consultation activities

<u>Open public consultation (OPC)</u>

The objectives of the OPC were to help verify the problems faced by the sector, as identified in the ex-post evaluation, validate the objectives of the possible policy interventions and obtain the opinion of stakeholders on the appropriateness and expected impacts of the interventions. It was comprised of two questionnaires, one for the general

public and a more specialised one for key stakeholders, which were made available online through the Commission's EU Survey facility, 'Your Voice in Europe'. The survey was open to all categories of respondents (individual citizens, representatives of business including individual firms or associations, public authorities and civil society organisations).

The general questionnaire was concerned with establishing how frequently respondents used coach services, their view on the importance of such services and their motivation for using them. A total of 18 responses were received: eight from consumers/citizens, seven from companies, two from non-governmental authorities and one other as shown in the table below.

Table A.2-1: Classification of stakeholders responding to the general questionnaire

Stakeholder category	Number of responses	% of responses
A citizen/consumer	8	44%
A non-governmental authority (e.g. NGO)	2	11%
A company	7	39%
Other	1	6%
Total	**18**	**100%**

Notes: "Other" is based on the respondents' choice.

Respondents resided, or were based, in nine different Member States (Austria, Finland, Germany, Hungary, Lithuania, Slovenia, Spain, Sweden and the United Kingdom). The most responses were from Austria, Germany and Hungary, each accounting for three responses (17% of the total).

Six (33%) of the responses were from EU-13 Member States and 12 (67%) were from EU-15 Member States.

The specialised questionnaire was concerned with determining stakeholders' views on the performance of the market and the possible impacts of potential changes to Regulation 1073/2009. There was a total of 153 complete or partial responses, including 68 companies involved in the transport chain, 28 non-governmental authorities and 17 road passenger transport workers, as shown in the table below.

Table A.2-2: Classification of stakeholders responding to the specialised questionnaire

Stakeholder category	Number of responses	% of responses
A citizen/consumer	1	1%
A road passenger transport worker (e.g. driver)	17	11%
Company engaged in transport chain	68	44%
EU Governmental authority	3	2%

Stakeholder category	Number of responses	% of responses
Enforcement authority	3	2%
Regulatory authority (e.g. national transport regulator, national competition authority)	7	5%
A non-governmental authority (e.g. NGO)	28	18%
An academic	1	1%
Other	25	16%
Total	**153**	**100%**

Notes: "Other" is based on the respondents' choice.

Respondents resided in, or were based in, 16 different Member States (Austria, Belgium, Czech Republic, Estonia, France, Finland, Germany, Hungary, Ireland, Italy, the Netherlands, Portugal, Romania, Spain, Sweden and the United Kingdom). Four respondents were from other European non-EU countries. 90 responses (59%) were from Germany.

Five (3%) of the responses were from EU-13 Member States and 144 (94%) were from EU-15 Member States.

Targeted stakeholder consultation

The targeted stakeholder consultation involved sending a detailed questionnaire to key stakeholders identified during the inception stage of the study. Four different questionnaires were produced, each tailored to the type of stakeholder.

A total of 31 responses were received, and a breakdown by stakeholder group is shown in the table below.

Table A.2-3: Targeted questionnaire responses

Type	Questionnaires sent	Responses received	Percentage of questionnaires sent
Ministry / Regulator	53	20	38%
Pan-European organisation	14	2	14%
Operator	91	3	3%
Operator association	27	6	22%

Table A.2-4: Responses to questionnaire

Member State	Number of responses	Percentage
EU13	10	32%
EU15	19	61%

Pan-European	2	6%

Interviews were conducted with the aim of gathering more detailed insights into stakeholder's experiences as well as their views on the different measures under consideration. They also provided an opportunity to request quantitative data required for the impact assessment. In each case, we submitted specific questions in advance and/or sought clarification on information provided through the questionnaires. Interviews were held either face-to-face or by phone.

Table A.2-5: Summary of interview programme

Type of stakeholder	Number of interviews completed	Member States covered
Ministry / Regulator	6	UK, EL, IT, IE, NL, FR
Pan-European organisation	4	
Operator	4	UK, FR, ES
Operator association	4	DE, UK, IE, SE

Eurobarometer

A Eurobarometer public opinion survey is to be conducted amongst European citizens in the 28 Member States of the EU. The objective of this survey was to gather the opinion of the European citizens on a series of issues related to satisfaction with current coach services in their country and reasons for using/ not using such services.

Targeted stakeholder consultation

The consultant responsible for the support study consulted stakeholders through questionnaires. The questionnaires were targeted at each relevant stakeholder group and were adjusted to the needs of each particular group.

The survey investigated:

- how many Europeans use coach services and how regularly they do so;
- the extent of both domestic and international coach travel;
- the purposes for which coach services are used;
- how users rate coach services in general, and how they rate specific aspects of the service including feelings of safety, punctuality and reliability, fares, comfort and integrated ticketing;
- perceptions of service quality among non-users;
- the reasons why citizens choose to travel by coach; and
- what improvements in existing services, if any, would make them more likely to use coach services.

Conclusions and limitations

The objectives of the consultation activities have been largely achieved. All relevant stakeholder groups within all EU Member States have been consulted, and most provided their views to the policy measures under consideration.

It was difficult to engage stakeholders due to the level of consultation activity in 2017 in support of the study and that undertaken in 2016 as part of the evaluation. The feedback from most stakeholders we contacted was that they had already responded to the OPC and/or targeted stakeholder questionnaire and were too busy to engage further. Consulting via various methods on the same subject in a short period meant that there was only a limited response in some areas.

Although we requested that stakeholders send us any available data on the coach market, relatively little was received. This reflected the following:

- many Member States do not collect statistics for the coach market and are only concerned with the authorisations granted; and
- the operators we spoke to would not share data for reasons of confidentiality or because of their company policy.

Results of consultation activities

Stakeholder input on problems with current legislation

Stakeholders provided significant input that helped to validate and elaborate the definition of the problem and identify potential changes to the current legislation. Input relating to the problem definition came primarily from the OPC and the targeted stakeholder questionnaires, and to a lesser extent from the interviews and Eurobarometer.

The sections below summarise the inputs provided and their implications for the following aspects of the problem:

i. restricted access to the market for domestic regular services;
ii. the requirement for establishment in Member State;
iii. different national approaches to liberalisation; discrimination in access to bus and coach terminals;
iv. and the role of coach services in improving connectivity and economic development.

Access to the market for domestic regular services is restricted

The Open Public Consultation Specialised (OPCS) stakeholders agreed that restrictions on access to the national market for regular coach and bus services constitutes a problem. 50 of the 153 (33%) respondents agreed that it is a major problem and 42 (27%) agreed that it is a minor problem. 30 of the 45 (67%) of companies engaged in the transport chain ("Companies") indicated that the restrictions have a negative impact on the ability of undertakings to expand into new markets, and none expressed the view that they had a positive impact. A majority of stakeholders stated that establishing a common EU framework for access to national markets for regular services would reduce the cost of compliance with legislation relative to the costs under the present rules. However, such a framework was also considered to have a possible negative effect on incumbent coach

operators by 22 of the 68 (32%) Companies, two of the three (67%) EU Governmental Authorities, 19 of the 28 (68%) NGOs and seven of the 17 (41%) Workers.

In an interview, National Express stated there was no discrimination in providing access to the UK market. They cited an example of a new entrant from the US gaining access and operating a service within six months of announcing its intention. However, two operators responding to the targeted stakeholder questionnaire noted that they had been refused access to the domestic market, given partial permission to operate or asked to modify their schedule because it was in competition with an existing public service.

The requirement for establishment in Member State

A majority of stakeholders responding to the OPCS stated that the specific requirement for local establishment is a concern, with 83 of 153 (54%) identifying it as either a minor or major problem. 39 of the 68 (57%) Companies who responded stated that it was a major or minor problem. However, two of three responses from EU Governmental Authorities, 14 of 28 (50%) from NGOs and four of seven (57%) from Regulatory Authorities indicated that the requirement was not a problem. The biggest perceived negative impact of this requirement among Companies was the associated administrative costs for carriers – 29 of the 36 (81%) identified these costs as a negative impact.

Moreover, a majority of stakeholders considered that assisting entry into national markets by carriers resident in other Member States would be beneficial. 38 of the 68 (56%) Companies and 11 of the 17 (65%) road passenger transport workers ("Workers") stated that this would make a positive contribution to the market. At the same time, a majority of NGOs, 15 of the 28 (54%), and Regulatory Authorities, three of the seven (43%), stated that there would be no impact on the market.

Different national approaches to liberalisation

43 of the 68 Companies (63%) and 14 of the 17 Workers (59%) responded that the 'patchwork' approach to liberalisation across the EU was a problem. However, two of the three EU Governmental Authorities (67%), 16 of the 28 NGOs (57%), four of the seven Regulatory Authorities (57%) and two of the three Enforcement Authorities (67%) did not consider the differences between the levels of liberalisation in different Member States to be a concern. Again, the effect on the administrative costs for carriers was considered to be the greatest negative impact, with 32 of the 38 (84%) Companies, seven of the nine (78%) NGOs, two of the three (67%) Regulatory Authorities, six of the eight (75%) Workers and an Enforcement Authority respondent indicating that there would be a significant negative impact or negative impact.

This view was reinforced during interviews with operators. For example, National Express highlighted that consistency on market access rule is needed as some countries' national rules have precedent over European rules, making it difficult to enter new markets. However, the European Trade Worker's Federation (ETF) said that they disagreed with liberalisation as there are no consistent rules governing driver working conditions across the EU. They cited the freight industry as an example of how problems can arise in a mature liberalised market. This opinion was supported by other Pan-

European organisations, including the EDF, which stated in interview that it would prefer a more regulated market, as in the rail sector.

Discrimination in access to bus and coach terminals

A majority of stakeholder groups responding to the OPCS stated that discrimination against new entrants in providing access to terminals was a problem. 39 of the 68 Companies (57%), two of the three EU Governmental Authorities (67%), 15 of the 28 NGOs (54%), four of the seven Regulatory Authorities (57%) and 10 of the 17 Workers (59%) indicated that discrimination was either a major or a minor problem. 26 of the 32 (81%) Companies stated that the resulting administrative costs for carriers constituted a negative impact. No stakeholder group considered that discriminatory access to terminals had a positive impact. Two of the three (67%) Enforcement Authorities that responded did not consider discrimination to be a problem however.

When asked about complaints from operators in regards to terminal access, the French Regulator gave an example of an ongoing dispute by a coach operator. The operator could not gain access to the coach terminal at Beauvais airport due to the non-publication of the terminal access rules. The case was dismissed after the rules were subsequently published, but it was decided at the end of December 2016 to open an infringement procedure to investigate possible breaches by the operator of its legal obligations. In the Regulator's opinion, the rules were not objective, transparent and non-discriminatory in nature. The investigation is on-going.

The view that terminal access is discriminatory was supported by Megabus who told us that they had been denied access to the terminal in Birmingham which is privately owned by National Express, a rival operator, and have had difficulty obtaining departure slots at the public terminal in Leeds which is managed by National Express.

The role of coach services in improving connectivity and economic development

Six of the eight Consumers (75%) and six of the seven Companies (86%) participating in the Open Public Consultation General (OPCG) gave a positive response when asked if coach services were viewed as important for the economic development of the respondent's region and jobs. A frequent comment in the free text section was that better connections and coordination between different modes of transport would encourage greater use of coach services. In general, respondents did not consider that the use of coach services was discouraged by excessive fares, with four of the seven (57%) Companies, 100% of NGOs and five of the eight (63%) consumers viewing fares positively.

However, these results must be qualified to some degree by the results of the Eurobarometer survey. Across the EU, some 35% of those surveyed made some use of coach services to travel within their own country, with 25% using them to travel to destinations in other countries. The majority of journeys are made for leisure purposes, although some passengers use coach services to connect with airports and rail stations as well as to make work-related trips. The primary reasons for travelling by coach are the availability of low fares, even among countries with more liberal market access rules,

although lack of access to a car was also frequently cited a reason for choosing coach services.

Nevertheless, the Eurobarometer results also provide some evidence that fares continue to be a barrier to coach travel. Among non-users, the most frequent responses to the question 'what would make you more likely to travel by coach?' were lack of access to a car (37% of non-user responses) and lower prices (26% of non-user responses). The corresponding responses among economically disadvantaged non-users (facing difficulties paying bills most of the time) were similar (35% and 32% respectively). Moreover, among users of coach services in the same disadvantaged group, low prices accounted for 32% of responses to the question 'why did you decide to travel by coach on the most recent trips?' This suggests that lower income passengers are aware of the price competitiveness of coach travel but would make more trips if fares were even lower.

Stakeholder input on policy measures considered

Stakeholders provided input on the level of support and expected impacts of the policy measures under consideration. An analysis of the views expressed is presented below.

Extend the scope of the legislation to include all regular services (both international and national services)

The majority of respondents to the OPCS supported establishing a common framework in the EU for access to the national for markets for regular services. 44 of the 68 (65%) Companies, four of the seven (57%) Regulatory Authorities, all three (100%) Enforcement Authorities and 11 of the 17 (65%) Workers gave the opinion that the measure would improve the performance of the coach market. Two of the three (67%) EU Governmental Authorities and 15 of the 28 (54%) NGOs responding stated that this proposed measure would not contribute to the performance of the coach market.

The respondents to the targeted questionnaire expressed mixed opinions on the proposed extension of scope. Most Ministries/Regulators that offered an opinion (six out of eight) did not support the extension or considered that it should be limited and only applicable in certain circumstances. The reasons given ranged from concerns about unfavourable impacts on coach sector employees to the potential adverse impact on services operated as public service obligations. However, two of three operators, the two Pan-European organisations, and two of three operator associations offering an opinion were supportive. A number of these respondents cited the success of liberalisation in Germany and France, a reduction in bureaucracy caused by national regulations and prevention of unfair competition as reasons to extend the scope.

Abolish the authorisation procedure so that any undertaking established in a Member State would be free to operate new regular international and national services on any route whether it is already operated by one or more transport undertaking

15 of the 20 Ministries/Regulators (75%) that responded to the targeted stakeholder questionnaire supported keeping the authorisation procedure. In their opinion it was a useful tool to monitor the market and ensure safety standards were met. Only one

Ministry/Regulator supported abolition of the authorisation procedure, stating that the current process was an unnecessary administrative burden. Four of the six operators who responded (67%) also supported keeping the authorisation procedure but highlighted that they would like to see the timescale reduced. There was mixed support among operator associations, with two arguing for abolition to increase transparency and two stating that it should be kept but standardised.

When interviewed, the Italian Regulator was in favour of keeping the authorisation procedure and establishing a framework that could be used to evaluate the economic and financial capabilities of applicants. The main reason authorisations are refused in Italy is because the applicant does not meet the minimal financial requirements to guarantee the service. This view was supported by National Express, who noted that the authorisation procedure was robust albeit time consuming. They suggested that the length of the process could be reduced from three to two months.

Set common requirements for the protection of PSCs so as to ensure that Member States are permitted to take action to protect public services contracts from competition

36 of the 68 Companies (53%) and eight of the 17 Workers (47%) responding to the OPCS stated that removing the protection of PSCs from competition would contribute to improving the performance of the market. The biggest negative impact was perceived to be the effect on incumbent coach operators.

The Italian Regulator suggested in an interview that removing the national limitation for PSOs would be beneficial. If a service in Italy crosses two regions it is regulated at the national level, and otherwise subject to regional regulation. Introducing a kilometre-based definition for the purposes of determining regional jurisdiction would simply the process.

The response to the targeted stakeholder questionnaire was more divided. Six out of 20 Ministries/Regulators (30%) supported a set of common requirements on the grounds that this would help to create a more level playing field, while five (25%) did not support the proposed measure.

Require that carriers from all Member States be guaranteed access to national regular services markets without discrimination on grounds of nationality or place of establishment

The responses to an OPCS question concerning abolition of restrictions on access to national markets for regular services were mixed. 42 of the 68 Companies (62%), four of the seven Regulatory Authorities (57%) and 10 of the 17 Workers (59%) stated that abolition would contribute to improving performance of the market. However, two of the three EU Governmental Authorities (67%), 17 of the 28 NGOs (61%) and two of the three Enforcement Authorities (67%) did not consider that the proposal would be beneficial.

9 of the 20 Ministries/Regulators (45%) that responded to the targeted stakeholder questionnaire did not support this proposal. They considered that the measure could lead to discriminatory conditions or have a negative impact on employment. The other

respondents within this category either did not express an opinion or did not recognise the underlying concern. The only support for the measure came from the operator associations - 3 of the 6 respondents in this category (50%) considered that it would benefit customers and lead to a better quality of service.

Devise a definition of a coach terminal so that it can be differentiated from stopping points and on-street bus stops

The respondents to the targeted stakeholder questionnaire broadly supported this proposal. Two of the three operator associations (67%) that responded to the question believed it would be useful to have one transparent definition. Of the Ministries/Regulators that responded, 8 (40%) supported having a common definition while 5 (25%) did not see any merit in a definition and considered that it should be left to Member States.

When interviewed, the EDF highlighted their preference for terminals in defined locations to guarantee better access for disabled people. EDF added that this was particularly important for people with autism as it allowed them to plan their trips in advance.

Establishing minimum common requirements to ensure that coach terminals provide access to operators of regular services on fair and non-discriminatory terms

A majority of respondents to the OPCS considered that facilitating a level playing field in access to terminals would help to improve the performance of the market. 46 of the 68 Companies (68%), 15 of the 28 NGOs (54%), five of the seven Regulatory Authorities (71%) and 11 of the 17 Workers (65%) responded positively to this proposal, although two of the three (67%) Enforcement Authorities that responded considered that it would have a negative impact. 41 of the 68 Companies (60%) and 10 of the 17 Workers (59%) stated that the effect on service quality would be beneficial.

Moreover, the majority of Ministries/Regulators that responded to the targeted stakeholder questionnaire supported establishing common requirements to ensure that access to coach terminals is fair and non-discriminatory. Seven of those responding (35%) supported the proposal, although two considered that it should be left to best practice and four stated that there are sufficient measures already. All three Pan-European organisations and all three operator organisations that responded supported the proposed measure. Two operators indicated that establishing requirements was an essential measure.

In an interview, the operator association Confederation of Passenger Transport (CPT) stated that terminal access was a major concern. They suggested that there should be an EU-wide regulation requiring Member States to adopt appropriate measures to enhance and manage terminal capacity. CPT also indicated that the coach terminal at Heathrow in the UK was an example of good practice in the definition and transparency of schedules and tariffs.

Abolish the requirement for occasional services to require a journey form

There was a positive response to the OPCS on whether journey forms are useful. Three EU Governmental Authorities (100%), six of the seven Regulatory Authorities (86%) and two Enforcement Authorities (67%) supported this view. However, 49 of the 65 Companies (75%), 21 of the 27 NGOs (78%) and 15 of the 17 Workers (88%) considered that journey forms served no useful purpose.

Only one Ministry/Regulator responding to the targeted stakeholder questionnaire supported abolition of the requirement for a journey form. 13 of the 14 Ministries/Regulators (93%) that responded to the question wanted to keep the requirement as they regard it is a useful means of monitoring and regulating coach services. one operator, one Pan-European organisation and one operator association stated that journey forms should be retained. However, three of the operator associations that responded (75%) and one Pan-European organisation stated that journey forms should be abolished in the interests of reducing bureaucracy.

Clarify the definition of 'international carriage' to ensure that closed-door tours that visit other Member States are not excluded from the scope of the Regulations

The respondents to the targeted stakeholder questionnaire did not offer specific support on the clarification of the definition of 'international carriage', although only one Ministry and one operator explicitly stated that the meaning is currently clear and well-understood.

Similarly a majority of stakeholders responding to the OPCS considered that the definition was sufficiently clear. 40 of the 66 Companies (61%), two of the three EU Governmental Authorities (67%), 20 of the 26 NGOs (77%), six of the seven Regulatory Authorities (88%), 13 of the 16 Workers (81%) and all three Enforcement Authorities participating stated that further clarity was not needed.

Clarify the definition of "regular services" to ensure that there is no requirement to have stopping points along the route but if there is stopping points they must be known in advance

The respondents to the targeted stakeholder questionnaire did not offer any specific support for clarifying the definition of 'regular services', although only one Ministry and one operator explicitly stated that the meaning is currently clear and well-understood. One Ministry mentioned that it would support a clear definition of 'special regular services'.

A majority of all stakeholder groups responding to the OPCS also stated the definition was sufficiently clear. 35 of the 65 Companies (54%), two of the three EU Governmental Authorities (67%), 20 of the 27 NGOs (74%), four of the seven Regulatory Authorities (57%), nine of the 16 Workers (56%) and all three Enforcement Authorities participating stated that clarity was not required.

Clarify that there is no requirement for an own-account operator to possess a community licence to be issued a certificate for own-account operations

Similarly, respondents to the targeted stakeholder questionnaire did not offer specific support for clarifying that there is no requirement for an own-account operator to possess a community licence if it is to be issued a certificate for own-account operations. Among the stakeholder groups responding to the OPCS, only two of the three EU Governmental Authorities (67%) indicated that the current provision is not sufficiently clear.

Clarify the meaning of "Cabotage operations shall be authorised…" in Article 15 to mean that cabotage operations are authorised rather than need to be authorised

10 of the 20 Ministries/Regulators (50%) that responded to the targeted stakeholder questionnaire specifically mentioned that they would support clarification of the meaning of this provision. This view was supported by the two Pan-European organisations that responded, and an operator noted that it was particularly important as interpretations vary by country. Moreover, only four Ministries/Regulators (20%) considered the meaning to be sufficient already.

The need for greater clarity was generally supported by the results of the OPCS. Two of the three EU Governmental Authorities (67%), four of the seven Regulatory Authorities (57%) and two of the three Enforcement Authorities (67%) indicated that the current cabotage rules are sufficiently clear. However, 26 of the 67 Companies (39%), 20 of the 27 NGOs (74%) and seven of the 15 Workers (47%) saw no value in further clarification. The biggest negative impact of not having clarification was perceived to be the enforcement costs for Member States.

Use of consultation results

The open public consultation was mostly used as a test of the validity of the Commission's understanding of the problems at stake and of the most adequate policy measures considered. The results confirmed the Commission's initial views and approach to the ex-post analysis and to the Impact Assessment.

The OPC and the targeted stakeholder questionnaires, and to a lesser extent from the interviews and Eurobarometer provided the information for the problem definition. It was not possible to get much more quantitative (data, statistics) information from the stakeholders during the consultation process. However, it was a rich source of qualitative (opinions, views and suggestions) information which helped close the Commission's knowledge gap.

ANNEX 3: WHO IS AFFECTED BY THE INITIATIVE AND HOW?

Citizens & passengers – are provided with an improved offer of passenger transport services in terms of availability, cost, quality and reliability across the EU. The promotion of coach travel facilitates mobility for all and **i**n particular those who suffer from transport disadvantage. Where new coach and bus services operate citizens will benefit from less congestion, better air quality due to the on average lower emissions that all other inter-city passenger transport modes and in particular from car.

Road Passenger Transport Operators – benefit from the removal of legal barriers to market access and the introduction of uniform market rules. There is a reduction in the administrative burden and new entrants will have fair and non-discriminatory access to terminal infrastructure gain business opportunities. Incumbent operators lose protection but also benefit from new business opportunities and the incentive to innovate.

Terminal Operators – must provide all carriers with non-discriminatory access to terminals, promoting competition between carriers and the development of an integrated coach network. They will benefit from new business opportunities.

Road Passenger Transport workers – there will be an improvement in employment opportunities without any apparent adverse impact on working conditions, pay and employment conditions or health and safety in the workplace.

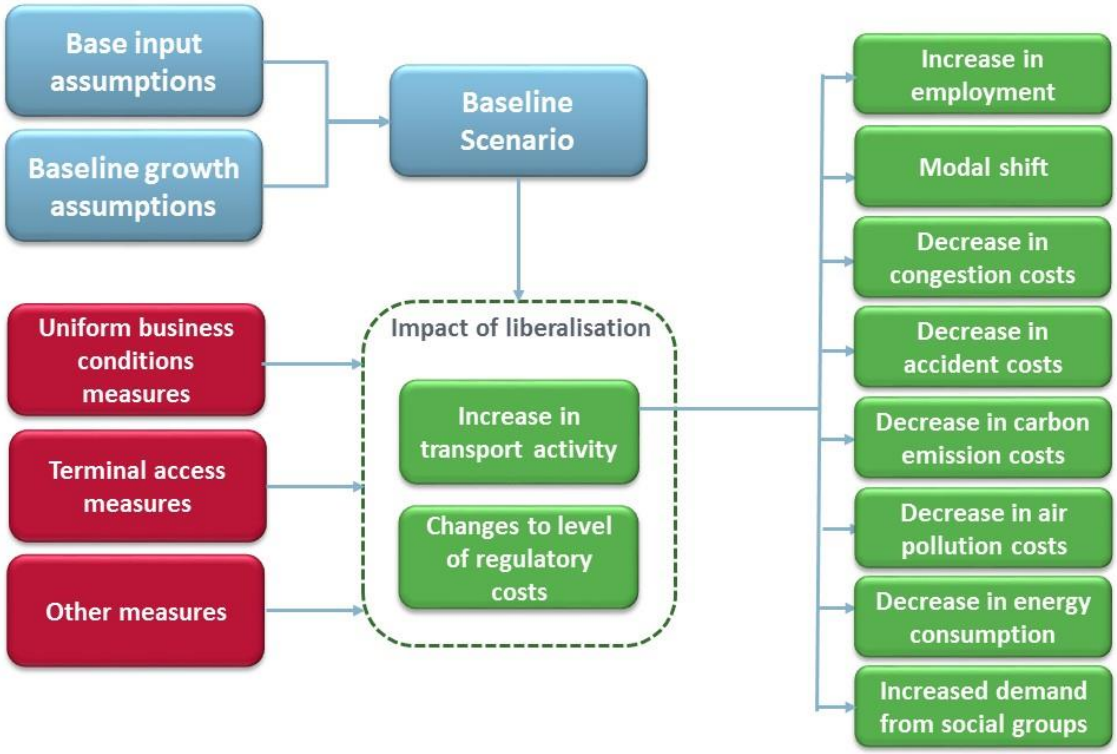
Public Authorities – Will benefit from a reduction in administrative burden from the introduction of a simplified authorisation procedure for regular services and the abolition of the journey form for occasional services. May affect how public authorities provide for inter-urban passenger transport e.g commercially or in the general economic interest through PSCs.

ANNEX 4: ANALYTICAL MODEL USED IN PREPARING THE IMPACT ASSESSMENT

STRUCTURE OF THE IA TOOL

An Excel-based IA tool was developed to evaluate impacts in each Member State across a 20-year assessment period from 2015 to 2035. An illustration of the structure of the IA tool is set out in the figure below.

Figure A.4-1: IA tool structure



The main elements within the tool are as follows:

- **Estimating the baseline scenario:** it provides projections under current trends and adopted policies, drawing on input and growth assumptions an updated EU Reference scenario 2016[64].

- **Estimating the impact of liberalisation:** changes to the baseline scenario level of transport activity arising from the implementation of defined policy measures are estimated based on evidence from previous domestic coach market liberalisation initiatives. Impacts on regulatory costs are calculated separately.

[64] This scenario has been developed with the PRIMES-TREMOVE model (i.e. the same model used for the EU Reference scenario 2016) by ICCS-E3MLab. A detailed description of this scenario is available in the Impact Assessment accompanying the Proposal for a Directive amending Directive 1999/62/EC on the charging of heavy goods vehicles for the use of certain infrastructures, SWD (2017) 180

- Assessing **secondary impacts:** deviations from the baseline scenario level of secondary impacts are driven by changes to the level of transport activity.

Each of these elements is explained in more detail in the following paragraphs.

BASELINE SCENARIO

The Baseline scenario builds on the EU Reference scenario 2016 but additionally includes some updates in the technology costs assumptions (i.e. for light duty vehicles) and few policy measures adopted after its cut-off date (end of 2014) like the Directive on Weights and Dimensions, the 4th Railways Package, the NAIADES II Package, the Ports Package, the replacement of the New European Driving Cycle (NEDC) test cycle by the new Worldwide harmonized Light-vehicles Test Procedure (WLTP)[65], and the market liberalisation of buses and coaches market in France, Germany, Italy and Poland.

The Baseline scenario has been developed with the PRIMES-TREMOVE model (i.e. the same model used for the EU Reference scenario 2016) by ICCS-E3MLab. The impact of the market liberalisation of buses and coaches market in France, Germany, Italy and Poland has been evaluated directly with the Excel-based IA tool.

The Baseline scenario of the Excel-based IA tool, used as benchmark for comparing the Policy Options, is defined in terms of few metrics estimated for the whole of the assessment period (2015-2035):

- the level of coach transport activity (in terms of passenger kilometres, vehicle kilometres and journeys);
- the level of transport activity on competing modes (rail, car and air);
- the modal share for coach;
- fare levels;
- revenue (for coach and competing transport modes);
- levels of employment;
- congestion costs;
- accident costs;
- energy use (in tonnes of oil equivalent);
- CO_2 emissions (in tonnes and monetised using the value of CO2);
- air pollution (in terms of the external costs of pollution); and
- regulatory costs.

The sources and assumptions used to estimate each of these metrics in the Excel-based IA tool, in each Member State, are shown in the table below.

[65] A detailed description of the Baseline scenario is available in the Impact Assessment accompanying the Proposal for a Directive amending Directive 1999/62/EC on the charging of heavy goods vehicles for the use of certain infrastructures, SWD (2017) 180.

Table A4-1: Baseline Scenario sources and assumptions

Metric	Source for 2015 value	Growth assumption
The level of coach activity	PRIMES-TREMOVE model*,**	PRIMES-TREMOVE model
The level of transport activity on competing modes	PRIMES-TREMOVE model	PRIMES-TREMOVE model
Coach mode share	PRIMES-TREMOVE model	PRIMES-TREMOVE model
Fare levels	PRIMES-TREMOVE model (provided as unit costs)	PRIMES-TREMOVE model
Revenue	PRIMES-TREMOVE model (using unit costs and transport activity)	PRIMES-TREMOVE model
Employment	EU Statistical Pocketbook	Grows in line with the level of transport activity
Congestion costs	PRIMES-TREMOVE model	PRIMES-TREMOVE model
Accident costs	PRIMES-TREMOVE model	PRIMES-TREMOVE model
Energy use	PRIMES-TREMOVE model	PRIMES-TREMOVE model
CO2 emissions	PRIMES-TREMOVE model	PRIMES-TREMOVE model
Air pollution	PRIMES-TREMOVE model	PRIMES-TREMOVE model
Regulatory costs	Estimated based on bottom up calculations	Grows in line with the level of transport activity

* Does not include number of services, international coach activity or cabotage. Source: Steer Davies Gleave

** The PRIMES-TREMOVE is a private model that has been developed and is maintained by E3MLab/ICCS of National Technical University of Athens, based on, but extending features of the open source TREMOVE model developed by the TREMOVE modelling community.

As shown in the table above, in most cases, the metrics have been sourced from the Baseline scenario developed with the PRIMES-TREMOVE model in the context of the Impact Assessment accompanying the Proposal for a Directive amending Directive 1999/62/EC on the charging of heavy goods vehicles for the use of certain infrastructures.

The PRIMES-TREMOVE transport model does not contain projections of employment levels and some measures of transport activity (the number of services and international coach activity) for the coach market. Therefore, the baseline level of these metrics has been estimated using alternative sources and assumptions.

PRIMES-TREMOVE model
The PRIMES-TREMOVE transport model projects the evolution of demand for passengers and freight transport by transport mode and transport mean. It is essentially a dynamic system of multi-agent choices under several constraints, which are not necessarily binding simultaneously. The model consists of two main modules, the transport demand allocation module and the technology choice and equipment operation module. The two modules interact with each other and are solved simultaneously. The projections include details for a large number of transport means, technologies and fuels, including conventional and alternative types, and their penetration in various transport market segments for each EU Member State. They also include details about greenhouse gas and air pollution emissions (e.g. NOx,

PM, SOx, CO), as well as impacts on external costs of congestion, noise and accidents.

In the transport field, PRIMES-TREMOVE is suitable for modelling soft measures (e.g. eco-driving, deployment of Intelligent Transport Systems, labelling), economic measures (e.g. subsidies and taxes on fuels, vehicles, emissions; ETS for transport when linked with PRIMES; pricing of congestion and other externalities such as air pollution, accidents and noise; measures supporting R&D), regulatory measures (e.g. CO2 emission performance standards for new passenger cars and new light commercial vehicles; EURO standards on road transport vehicles; technology standards for non-road transport technologies), infrastructure policies for alternative fuels (e.g. deployment of refuelling/recharging infrastructure for electricity, hydrogen, LNG, CNG). Used as a module which contributes to a broader PRIMES scenario, it can show how policies and trends in the field of transport contribute to economy wide trends in energy use and emissions. Using data disaggregated per Member State, it can show differentiated trends across Member States.

PRIMES-TREMOVE has been used for the 2011 White Paper on Transport, Low Carbon Economy and Energy 2050 Roadmaps, the 2030 policy framework for climate and energy and more recently for the Effort Sharing Regulation, the review of the Energy Efficiency Directive, the recast of the Renewables Energy Directive, the European strategy on low-emission mobility and the revision of the Eurovignette Directive.

The PRIMES-TREMOVE is a private model that has been developed and is maintained by E3MLab/ICCS of National Technical University of Athens, based on, but extending features of the open source TREMOVE model developed by the TREMOVE modelling community. Part of the model (e.g. the utility nested tree) was built following the TREMOVE model. Other parts, like the component on fuel consumption and emissions, follow the COPERT model.

As module of the PRIMES energy system model[66], PRIMES-TREMOVE has been successfully peer reviewed[67], most recently in 2011[68].

The EU Reference scenario 2016

- *Scenario design, consultation process and quality assurance*

The Baseline scenario used in this impact assessment builds on the EU Reference scenario 2016 but additionally includes few policy measures adopted after its cut-off date (end of 2014) and some updates in the technology costs assumptions.

Building an EU Reference scenario is a regular exercise by the Commission. It is coordinated by DGs ENER, CLIMA and MOVE in association with the JRC, and the involvement of other services via a specific inter-service group.

For the EU Reference scenario 2016, Member States were consulted throughout the development process through a specific Reference scenario expert group which met three times during its development. Member States provided information about adopted national policies via a specific questionnaire, key assumptions have been discussed and in each modelling step, draft Member State specific results were sent for consultation. Comments of Member States were addressed to the extent possible, keeping in mind the need for overall comparability and consistency of the results.

Quality of modelling results was assured by using state of the art modelling tools, detailed checks of assumptions and results by the coordinating Commission services as well as by the country specific

66 http://www.e3mlab.National Technical University of Athens.gr/e3mlab/

67 http://ec.europa.eu/clima/policies/strategies/analysis/models/docs/primes_model_2013-2014_en.pdf.

68 https://ec.europa.eu/energy/sites/ener/files/documents/sec_2011_1569_2.pdf

comments by Member States.

The EU Reference scenario 2016 projects EU and Member States energy, transport and GHG emission-related developments up to 2050, given current global and EU market trends and adopted EU and Member States' energy, transport, climate and related relevant policies. "Adopted policies" refer to those that have been cast in legislation in the EU or in MS (with a cut-off date end of 2014[69]). Therefore, the binding 2020 targets are assumed to be reached in the projection. This concerns greenhouse gas emission reduction targets as well as renewables targets, including renewables energy in transport. The EU Reference scenario 2016 provides projections, not forecasts. Unlike forecasts, projections do not make predictions about what the future will be. They rather indicate what would happen if the assumptions which underpin the projection actually occur. Still, the scenario allows for a consistent approach in the assessment of energy and climate trends across the EU and its Member States.

The report " EU Reference Scenario 2016: Energy, transport and GHG emissions - Trends to 2050"[70] describes the inputs and results in detail. In addition, its main messages are summarised in the impact assessments accompanying the Effort Sharing Regulation[71] and the revision of the Energy Efficiency Directive[72], and the analytical work accompanying the European strategy on low-emission mobility[73].

PRIMES-TREMOVE is one of the core models of the modelling framework used for developing the EU Reference scenario 2016 and has also been used for developing the Baseline scenario of this impact assessment. The model was calibrated on transport and energy data up to year 2013 from Eurostat and other sources.

- *Main assumptions of the Baseline scenario*

The projections are based on a set of assumptions, including on population growth, macroeconomic and oil price developments, technology improvements, and policies.

Macroeconomic assumptions

The Baseline scenario uses the same macroeconomic assumptions as the EU Reference scenario 2016. The population projections draw on the European Population Projections (EUROPOP 2013) by Eurostat. The key drivers for demographic change are: higher life expectancy, convergence in the fertility rates across Member States in the long term, and inward migration. The EU28 population is expected to grow by 0.2% per year during 2010-2030 (0.1% for 2010-2050), to 516 million in 2030 (522 million by 2050). Elderly people, aged 65 or more, would account for 24% of the total population by 2030 (28% by 2050) as opposed to 18% today.

GDP projections mirror the joint work of DG ECFIN and the Economic Policy Committee, presented in the 2015 Ageing Report[74]. The average EU GDP growth rate is projected to remain relatively low at 1.2% per year for 2010-2020, down from 1.9% per year during 1995-2010. In the medium to long term, higher expected growth rates (1.4% per year for 2020-2030 and 1.5% per year for 2030-2050) are taking account of the catching up potential of countries with relatively low GDP per capita, assuming convergence to a

[69] In addition, amendments to two Directives only adopted in the beginning of 2015 were also considered. This concerns notably the ILUC amendment to the Renewables Directive and the Market Stability Reserve Decision amending the ETS Directive.

[70] ICCS-E3MLab et al. (2016), EU Reference Scenario 2016: Energy, transport and GHG emissions - Trends to 2050

[71] SWD(2016) 247

[72] SWD(2016) 405

[73] SWD(2016) 244

[74] European Commission/DG ECFIN (2014), The 2015 Ageing Report: Underlying Assumptions and Projection Methodologies, European Economy 8/2014.

total factor productivity growth rate of 1% in the long run.

Fossil fuel price assumptions

Oil prices used in the Baseline scenario are the same with those of the EU Reference scenario 2016. Following a gradual adjustment process with reduced investments in upstream productive capacities by non-OPEC[75] countries, the quota discipline is assumed to gradually improve among OPEC members and thus the oil price is projected to reach 87 $/barrel in 2020 (in year 2013-prices). Beyond 2020, as a result of persistent demand growth in non-OECD countries driven by economic growth and the increasing number of passenger cars, oil price would rise to 113 $/barrel by 2030 and 130 $/barrel by 2050.

No specific sensitivities were prepared with respect to oil price developments. Still, it can be recalled that lower oil price assumptions tend to increase energy consumption and CO_2 emissions not covered by the ETS. The magnitude of the change would depend on the price elasticities and on the share of taxation, like excise duties, in consumer prices. For transport, the high share of excise duties in the consumer prices act as a limiting factor for the increase in energy consumption and CO_2 emissions.

Techno-economic assumptions

For all transport means, except for light duty vehicles (i.e. passenger cars and light commercial vehicles), the Baseline scenario uses the same technology costs assumptions as the EU Reference scenario 2016.

For light duty vehicles, the data for technology costs and emissions savings has been updated based on a recent study commissioned by DG CLIMA[76]. Battery costs for electric vehicles are assumed to go down to 205 euro/kWh by 2030 and 160 euro/kWh by 2050; further reductions in the cost of both spark ignition gasoline and compression ignition diesel are assumed to take place. Technology cost assumptions are based on extensive literature review, modelling and simulation, consultation with relevant stakeholders, and further assessment by the Joint Research Centre (JRC) of the European Commission.

Specific policy assumptions

The key policies included in the Baseline scenario, similarly to the EU Reference scenario 2016, are[77]:

- CO2 standards for cars and vans regulations (Regulation (EC) No 443/2009, amended by Regulation (EU) No 333/2014 and Regulation (EU) No 510/2011, amended by Regulation (EU) No 253/2014); CO2 standards for cars are assumed to be 95gCO2/km as of 2021 and for vans 147gCO2/km as of 2020, based on the NEDC test cycle, in line with current legislation. No policy action to strengthen the stringency of the target is assumed after 2020/2021.
- The Renewable Energy Directive (Directive 2009/28/EC) and Fuel Quality Directive (Directive 2009/30/EC) including ILUC amendment (Directive 2015/1513/EU): achievement of the legally binding RES target for 2020 (10% RES in transport target) for each Member State, taking into account the use of flexibility mechanisms when relevant as well as of the cap on the amount of food or feed based biofuels (7%). Member States' specific renewable energy policies for the heating and cooling sector are also reflected where relevant.
- Directive on the deployment of alternative fuels infrastructure (Directive 2014/94/EU).
- Directive on the charging of heavy goods vehicles for the use of certain infrastructures (Directive

[75] OPEC stands for Organization of Petroleum Exporting Countries.
[76] Source: https://ec.europa.eu/clima/sites/clima/files/transport/vehicles/docs/technology_results_web.xlsx
[77] For a comprehensive discussion see the Reference scenario report: "EU Reference Scenario 2016: Energy, transport and GHG emissions - Trends to 2050"

2011/76/EU amending Directive 1999/62/EC).

- Relevant national policies, for instance on the promotion of renewable energy, on fuel and vehicle taxation, are taken into account.

In addition, a few policy measures adopted after the cut-off date of the EU Reference scenario 2016 at both EU and Member State level, have been included in the Baseline scenario:

- Directive on weights & dimensions (Directive 2015/719/EU);
- Directive as regards the opening of the market for domestic passenger transport services by rail and the governance of the railway infrastructure (Directive 2016/2370/EU);
- Directive on technical requirements for inland waterway vessels (Directive 2016/1629/EU), part of the Naiades II package;
- Regulation establishing a framework on market access to port services and financial transparency of ports[78];
- The replacement of the New European Driving Cycle (NEDC) test cycle by the new Worldwide harmonized Light-vehicles Test Procedure (WLTP) has been implemented in the Baseline scenario, drawing on work by JRC. Estimates by JRC show a WLTP to NEDC CO_2 emissions ratio of approximately 1.21 when comparing the sales-weighted fleet-wide average CO_2 emissions. WLTP to NEDC conversion factors are considered by individual vehicle segments, representing different vehicle and technology categories[79].
- For Germany, an extension of the toll network by roughly 40,000 kilometres of federal trunk road from 2018 onwards for all heavy goods vehicles over 7.5t.[80]
- For Austria, the incorporation of exhaust emissions and noise pollution in the distance based charges. All federal highways and motorways, totalling around 2,200 km, are subject to distance based charges.
- For Belgium, a distance based system replaced the former Eurovignette for heavy goods vehicles over 3.5t from April 2016. The system applies to all inter-urban motorways, main (national) roads[81] and all urban roads in Brussels.
- For Latvia, the introduction of a vignette system applied for goods vehicles below 3.5t on the motorways, starting with 1 January 2017. In addition, for all heavy goods vehicles over 3.5t the vignette rates applied on motorways for the EURO 0, EURO I, EURO II are increased by 10% starting with 1 January 2017.
- The reform of the national regulatory frameworks of the buses and coaches market in Germany, France, Italy and Poland has been additionally reflected through the IA excel-based tool.

Transport activity

[78] Awaiting signature of act (Source : http://www.europarl.europa.eu/oeil/popups/ficheprocedure.do?reference=2013/0157(COD)&l=en)

[79] Simulation at individual vehicle level is combined with fleet composition data, retrieved from the official European CO_2 emissions monitoring database, and publicly available data regarding individual vehicle characteristics, in order to calculate vehicle CO_2 emissions and fuel consumption over different conditions. Vehicle CO_2 emissions are initially simulated over the present test protocol (NEDC) for the 2015 passenger car fleet; the accuracy of the method is validated against officially monitored CO_2 values and experimental data.

[80] Currently, 15,000 kilometres of federal trunk road and motorways are subject to tolls.

[81] E.g. http://www.viapass.be/fileadmin/viapass/documents/download/VlaanderenE.JPG

In estimating the baseline number of coach services and the level of international coach activity, national statistics and stakeholder consultation responses have been drawn upon to fill some data gaps. However, not every Member State records or publishes this data and it was not possible to prepare a comprehensive data set. Therefore the remaining data gaps have been filled as follows:

- To estimate the level of international coach activity, the data – from Member States where it was available – has been used to generate a ratio of international coach activity (as a proportion of total coach activity) relative to the number of international borders. We then applied this ratio to the remaining Member States.
- Similarly, to estimate the number of coach services, the available data has been used to generate a ratio of coach services to coach transport activity. We then applied this ratio to the remaining Member States.

No data on the level of cabotage activity has been found and no useful information on the level of cabotage has been received from stakeholders. Accordingly, it was not possible to provide estimates of cabotage within the IA tool.

Employment

The EU Statistical Pocketbook contains combined total employment levels across local bus and interurban coach industries in each Member State, and the PRIMES-TREMOVE model provide projections of the total number of bus and coach vehicles in each Member State. To estimate total coach industry employment, the proportion of coaches in the total bus and coach fleet has been applied to the total employment level provided in the Statistical pocketbook. It has been assumed that employment grows in line with transport activity throughout the assessment period.

Administrative costs

To estimate regulatory costs in the baseline scenario, the costs associated with authorisations, licences and journey forms separately for both coach operators and national authorities have been estimated. To estimate each of these costs, we have used the following formula:

$$\begin{aligned} &Administrative\ costs \\ &= Average\ cost\ of\ the\ required\ administrative\ activity\ (Price) \\ &\times Total\ number\ of\ activites\ performed\ (Quantity) \end{aligned}$$

Where:

$$Price = Average\ staff\ cost\ \times\ Time\ taken\ to\ complete\ regulatory\ activity$$

And:

$$Quantity = The\ number\ of\ units\ of\ the\ regualtory\ activity$$

The price of each regulatory activity has been calculated using the EU average wage (calculated by Reinies Fischer[82]) and the assumptions on the time taken to carry out each activity are shown in the table below.

Table A4-2: Baseline Scenario sources and assumptions for administrative costs

Process	Type of effect	Estimate in previous study	Revised estimate	Comment
Licence	Operator – resources used in application	Not made	20 days	Based on Steer Davies Gleave experience of supporting operators in completing the licence process
	Government/regulator – resources used in approval	Not made	Ten days	Assumed to require twice the effort of approving an authorisation
Authorisation	Operator – resources used in application	One day for administrative staff	Three days	Based on stakeholder comments concerning need for translation and consultancy advice
Journey form	Operator – time taken to complete	Less than one hour	Less than one hour	No reason to modify this estimate based on evidence to date
	Government/regulator – resources used in inspection	Not made	Five minutes – 10% of forms inspected	Inspection time proportionate to time to complete the form. Inspection rate of 10% gives sufficiently high likelihood of inspection to encourage compliance

To estimate the total number of authorisations and licences (for both national and international services), the number of international authorisations and international Community licences have been scaled up based on the ratio of international to national coach transport activity. To estimate the number of journey forms, a ratio of forms to transport activity has been generated, in Member States where data is available, and applied this across all Member States.

It has been assumed that all administrative costs grow throughout the assessment period in line with the level of transport activity.

IMPACT OF POLICY OPTIONS

Approach to assessment of impacts

Table A.4-3 summarises how the impacts of the Policy Options have been assessed. Monetised impacts have been calculated as 2015 Net Present Values (NPVs) using a discount rate of 4%. For all policy options, the measures are assumed to be implemented starting with 2019.

[82] https://www.reinisfischer.com/average-salary-european-union-2016

Table A4-3: Assessment methodology by impact

	Impact	Monetised	Quantified	Qualitative commentary
Economic impacts				
1	Increases (or decreases) in the volume of transport activity (in terms of passenger-kilometres and passenger journeys), segmented by type of transport: national, cabotage, and international. Changes in the transport activity should to the extent possible, be explained by changes in inter alia (i) the average load factor (passengers per coach), (ii) number of services, (iii) average journey length.		✓	
2	Increases (or decreases) in the quality of service.			✓
3	Impact on the market structure in the coach and bus sector.			✓
4	Potential relocation of businesses from some Member States to others and economic effects on particular Member States and/or regions.			✓
5	Fares for users and effect on consumer prices.			✓
6	Integration of ticketing and price competition.			✓
7	Regulatory costs for road passenger transport operators and terminal operators. These are the costs incurred by the relevant parties to comply with possible new legislative requirements, including their sub-components (administrative costs, direct compliance costs, hassle costs, etc.).	✓		
8	Economic effects for SMEs, notably in terms of regulatory costs and their competitive position.			✓
9	Regulatory costs (administrative, compliance and enforcement costs) incurred by the responsible national authorities.	✓		
10	Level of infringements of rules on access to the market.			✓
11	Level of congestion.	✓		
12	Performance of other modes of transport and integration between modes.	✓		
13	Working conditions and job quality			✓
14	Overall level of employment and distribution across Member States.	✓		
15	Level of infringements of social rules, including			✓

	Impact	Monetised	Quantified	Qualitative commentary
	labour law applicable to the employment contracts, maximum working time, minimum rest periods, etc.			
16	Impact on remote regions.		✓	
17	Access to mobility for low-income consumers.		✓	
18	Accessibility of the bus and coach services for people with reduced mobility.			✓
19	The rights of the elderly (EC Charter of Fundamental Rights – Article 25).		✓	
20	Integration of persons with disabilities (EC Charter of Fundamental Rights – Article 26).			✓
21	Accident costs	✓		
Environmental impacts				
22	Level of carbon dioxide emissions.	✓		
23	Air pollution	✓		
24	Energy use and efficiency.	✓		
25	Share of road passenger transport in modal split.		✓	

Source: Steer Davies Gleave

Analysis of options

The policy options selected for further analysis cover three broad kinds of measure for supporting the further development of interurban bus and coach markets, namely:

- measures for clarifying existing legislation and simplifying current regulatory procedures (included in Options PO1, PO2 and PO3);
- measures for removing restrictions on access to inter-urban markets (included in Options PO1, PO2 and PO3); and
- measures to facilitate the level playing field for access to terminals (included in Options PO4 and PO5).

A high-level description of the methodology for assessing each group of measures is provided below, followed by the assumptions used to estimate the impacts of each option.

Clarification measures

In principle, measures to clarify existing provisions in Regulation 1073/2009 could result in a change in operator behaviour, for example by encouraging them to introduce more scheduled services without intermediate stops (following a clarification of the term 'regular services'). However, for the most part stakeholders considered that most

provisions identified as potentially requiring clarification for the purposes of the consultation were already clear. This suggests that current market activity is not influenced to any material extent by a lack of clarity, and it has been therefore assumed that these measures would not have any impact on the number of services provided or the level of traffic carried.

However, it should be noted that the streamlining of regulatory processes, for example the abolition of journey forms or authorisations, could have a significant impact on the regulatory burden. Therefore estimates of these have been made, based on the quantification of the regulatory burden in table A.4-2 and based on these values, it has been estimated that the total regulatory burden on the coach sector is €884 million in 2015 (with 66.4% falling on operators and 33.6% falling on government and/or regulatory bodies), rising to €1,228 in 2030.

Measures for removing restrictions on access to inter-urban markets
The assumptions used in estimating the impact of each of the options covering clarification and uniform business conditions are set out in the table below.

Table A.4-4: Assumptions used in estimating impacts of PO1, PO2 and PO3

Option	Measure	Key assumptions
PO1	C1: clarify definition of 'international carriage'	No quantifiable impact
	C2: clarify definition of 'regular services'	No quantifiable impact
	C3: clarify provisions relating to own-account operations	No quantifiable impact
	C4: abolish journey forms	A reduction in the administrative costs associated with journey forms
	C5: clarify provisions relating to cabotage	Not modelled due to lack of data on cabotage services
	U1: extend scope of Regulation 1073/2009 to include national services	An increase in the level transport activity based on the average growth rate of Germany and the UK in the years following liberalisation, adjusted downwards by a factor of a half.
	U2: require that carriers from all Member States have access to national markets	
	U3: set common requirements for protection of public service contracts	
PO2	As for PO2 (except U3)	
	U4: action to protect public service contracts limited to contracts for services in urban centres, conurbations and the surrounding areas	An increase in the level transport activity based on the average growth rate of Germany and the UK in the years following liberalisation. Note this uplift is instead, as opposed to in addition to, the increase described in PO1.
PO3	As for PO2	

Option	Measure	Key assumptions
	U5: abolish authorisation procedure	A reduction in all regulatory costs associated with authorisations, based on the regulatory cost calculation.

Source: Steer Davies Gleave

Measures to facilitate the level playing field for access to terminals

An illustrative calculation of the terminal capacity that might be unduly suppressed because of discriminatory behaviour is provided in Chapter 3 of the support study. This suggested that an additional 400 million vehicle kilometres might be accommodated if publicly owned capacity were available on a non-discriminatory basis and managed efficiently. This is used as a basis for estimating the effects of a one-off and sustained uplift in capacity as a result of introducing measures to ensure a level playing field in the allocation of terminal capacity.

It should be noted that the impact of this group of measures might be expected to increase over the long term, enabling more effective use of a growing volume of terminal capacity across Europe (i.e. resulting in a proportionate increase in available capacity rather than an absolute uplift). However, it is also possible that investment in terminal capacity over the time horizon up to 2035 relieves the problem of discrimination as well as more general capacity constraints, and that the impact of measures designed to address discrimination becomes less over time. The assumption of a one-off, absolute and sustained uplift in available capacity can be regarded as conservative. Sensitivity analysis has been undertaken to estimate the effects of alternative assumptions.

In the table below, a description of all the assumptions used in calculating the impact of measures related to terminal access are provided.

Table A.4-5: Assumptions used in estimating impacts of PO4 and PO5

Option	Measure	Key assumptions
PO4	T1: define a 'coach terminal' so that it can be differentiated from stopping points/on-street stops	No quantifiable impact in itself but essential to enable other measures
	T2: establish guidelines/recommendations to encourage terminal operators to provide access on fair and non-discriminatory terms	An increase in transport activity adjusted downwards by a factor of a half.
	T3: Recommend publication of rules for allocating capacity and current timetable/capacity allocation	An increase in the administrative costs associated with undertaking five terminal capacity studies (Based on the EU average wage and the assumption that one study takes 100 hours).
	T4: require the European Commission to submit a report on market opening	No quantifiable impact
PO5	T1: define a 'coach terminal' so that it can be differentiated from stopping points/on-street stops	No quantifiable impact in itself but essential to enable other measures

	T5: Require Member states to grant access to terminals on fair and non-discriminatory terms	An increase in transport activity. Note this increase is instead of, as opposed to in addition to, the uplift described in PO1. In addition, an increase in the administrative costs associated with undertaking one additional terminal capacity study. (Based on the EU average wage and the assumption that one study takes 100 hours).

Source: Steer Davies Gleave

Assessment of primary impacts

Changes to the level of transport activity

A summary of the impact of each policy option on transport activity is shown in table A.4-6. For policy options relating to market liberalisation, the annual growth rates of passenger kilometres and vehicle kilometres have been multiplied by a value derived using the methodology described in the section 3 of the support study. For policy options relating to terminal access, the level of transport activity has been uplifted based on the methodology described below:

The illustrative calculation of the potential size of the discrimination problem is based on the National Express data. The calculation is based on the following assumptions:

- 60% of terminals used by coach operators across Europe are publicly owned (equivalent to 18 out of 30 in the National Express example);
- of these, some 11% (approximately equivalent to 2 of 18) are managed by incumbent operators;
- publicly owned terminals that are managed by incumbent operators are more likely to be subject to discrimination than those managed by the local authority itself (although no suggestion is made that the two privately managed terminals included in the National Express data are subject to such discrimination); and
- the proportion of vehicle kilometres operated into such terminals is equivalent to the proportion of such terminals in the total (at both the Member State and European level).

Table A.4-6: Impact of policy options on transport activity

Option	Applies to	Impact of policy option	Growth multiplier/ Activity uplift	Growth uplift assumption
PO1	Non-liberalised Member States	Growth rate multiplied by ratio in the 6 years following implementation. *	10.1	Based on method described in section 3 of the support study, dived by two.
PO2	Non-liberalised Member States		20.1	Average of DE-UK growth ratio described section 3 of the support study
PO3	Non-liberalised Member States		20.1	
PO4	All Member States	Level of activity uplifted in all years following implementation.	0.9%	Based on method described from section 3 of the support study dived by two.
PO5	All Member States		1.7%	Based on method described from section 3 of the support study.

* In Member States where the baseline growth rate in the six years following liberalisation is negative, we have applied the growth multiplier to the EU average growth rate in those years. Source: Steer Davies Gleave

The method used to estimate the baseline level of each remaining measure of transport activity, and the assumed impact of the policy options on each remaining measure, are shown in table A.4-4.

Table A.4-7: Transport activity impact methodology

Measure of transport activity	Estimation method	
	Baseline level	**Impact of policy options**
Passenger kilometres	PRIMES-TREMOVE Model	See table A.4-4
Vehicle kilometres	PRIMES-TREMOVE Model	See table A.4-4
Passenger journeys	$\frac{Passenger\ kilometres}{Average\ journey\ length}$	
International activity	Discussed above in the section titled Transport Activity	Grows with passenger kilometres
Cabotage	Unable to estimate due to lack of evidence	
Average load factor	$\frac{Passenger\ kilometres}{Seat\ kilometres*}$	
Number of services	Discussed above in the section titled Transport Activity	Grows with passenger kilometres
Average journey length	Based on sample of routes	Assumed to remain constant

*Assuming 50 seats to coach, based on evidence from Germany. Source: Steer Davies Gleave assumptions

Regulatory costs for operators and national authorities

The regulatory activates assumed to be undertaken by both operators and authorities under each policy option are shown in table A.4-8. The method used to calculate the total cost of each of these activates is consistent with the method used in the baseline described above. The cost of a terminal capacity study is estimated using the EU average wage and the assumption that one study takes 100 hours based on Steer Davies Gleave's experience of undertaking such studies.

Table A.4-8: Impact of policy options on regulatory activity

Type of Regulatory cost	Baseline	PO1	PO2	PO3	PO4	PO5
Journey Forms	√				√	√
Authorisations	√	√	√		√	√
Licences	√	√	√	√	√	√
Number of Terminal Capacity Studies	-	-	-	-	5	6

Source: Steer Davies Gleave assumptions

As with the baseline, regulatory costs grow throughout the assessment period in line with the level of transport activity.

Assessment of secondary impacts

Overall level of employment
Increases to the level of employment in the coach industry, arising from the implementation of the policy options, are in proportion to increases in the level of transport activity. The employment in the coach industry in year n will be calculated using the following formula:

$$Coach\ Industry\ Emplyment_{Yn} = Baseline\ Coach\ Industry\ Employment_{Yn} \times (1 + \Delta\%Passenger\ Kilometres_{Yn})$$

Share of road passenger transport in modal split
Increases in the level of coach transport activity will lead to decreases in the level of transport activity on competing transport modes. The proportion of new passenger demand extracted from each competing transport mode is based on the experience of the German market, and is shown in table A.4-9.

Table A.4-9: Demand extraction rates used in impact assessment

Source of new coach demand	Demand extraction rate
Generated	10.0%
Car	40.0%
Rail	46.0%
Air	4.0%

Source: BAG (Marktanalyse des Fernbuslinienverkehrs, 2014)

On each competing transport mode, the decrease in transport activity, arising from an increase in coach transport activity, has been calculated using the following formula:

$$Mode\ Passenger\ Kilometres_{Yn} = Baseline\ Mode\ Passenger\ Kilometres_{Yn} - (\Delta Coach\ Passenger\ Kilometres_{Yn} \times Modal\ Diversion\ Factor)$$

Therefore, the share of each transport mode in year n is calculated using the following formula:

$$Mode\ Share_{Yn} = \frac{Mode\ Passenger\ Kilometres_{Yn}}{Total\ Passenger\ Kilometres_{Yn}}$$

Externalities
Changes to the level of transport activity, for both coach transport and competing modes, imply changes to the level of externalities produced by each transport mode. The externalities considered include:

- Congestion;
- Accidents;
- Carbon emissions;
- Air pollution; and
- Energy use.

The formula used to calculate the net change to the level of each externality, based on changes to transport activity and the demand extraction rates in table A.4-9, is as follows:

$$\begin{aligned} Net\ Change\ in\ Level\ of\ Externality_{Yn} = & \left(\Delta\ Coach\ Passenger\ Kilometres_{Yn}\right. \\ & \left.\times\ Levl\ of\ Externality\ per\ Coach\ Passenger\ Kilometre_{Yn}\right) \\ & -\left(\Delta\ Car\ Passenger\ Kilometres_{Yn}\right. \\ & \left.\times\ Levl\ of\ Externality\ per\ Car\ Passenger\ Kilometre_{Yn}\right) \\ & -\left(\Delta\ Rail\ Passenger\ Kilometres_{Yn}\right. \\ & \left.\times\ Levl\ of\ Externality\ per\ Rail\ Passenger\ Kilometre_{Yn}\right) \\ & -\left(\Delta\ Air\ Transport\ Activity_{Yn} \times Levl\ of\ Externality\ per\ Air\ Passenger\ Kilometre_{Yn}\right) \end{aligned}$$

The sources and assumptions used to calculate the net change in each externality are shown in table A.4-10.

Table A.4-10: Externality assumptions used in impact assessment

Externality	Source	Unit of measurement	Other assumptions
Congestion	PRIMES-TREMOVE model	€ Million	
Accidents	PRIMES-TREMOVE model	€ Million	Cost of air and rail accidents are not considered.
CO2 emissions	PRIMES-TREMOVE model	€ Million	Carbon emissions have been monetised using the projected ETS carbon price
Air pollution	PRIMES-TREMOVE model	€ Million	
Energy consumption	PRIMES-TREMOVE model	Tonnes of oil equivalent (‘000s)	

Source: Steer Davies Gleave assumptions

Performance of other modes of transport

To assess the impact of the policy options on the performance of other transport modes, the lost revenue (separately for rail and air) arising from the decrease in the level of transport activity have been estimated based on the demand extraction rates in table A.4-

9 to calculate the fall in revenue, for both air and rail, the following formula has been used:

$$Mode\ Revenue\ Loss_{Yn} = \Delta\ Mode\ PassengerKilometres_{Yn} \times Mode\ Unit\ Cost\ per\ Passenger\ Kilometres$$

The unit cost per passenger kilometre for passengers, for each transport mode, has been taken from the PRIMES-TREMOVE model.

Access for low-income, rural and the elderly consumers
To assess the impact of the policy options on the low-income, rural and the elderly consumers, the results from the Eurobarometer survey have been used that estimate the proportion of passenger demand that falls into each of these social groups.

The level of transport activity, for each of these social groups in year n, has been calculated using the following formula:

$$Social\ Group\ Passenger\ Kilometres_{Yn} = Total\ Coach\ Passenger\ Kilometres_{Yn} \times \%\ Social\ Group\ Passengers$$

SENSITIVITY ANALYSIS

As explained above, a number of assumptions have been used for evaluating the impacts of the policy options. To test the sensitivity and robustness of the results, the growth rate multipliers and transport activity uplifts described in table A.4-6 for each policy option have been adjusted. The sensitivity adjustments applied to each set of options is shown in table A.4-11; for each set of options both a low and high scenario has been tested.

Table A.4-11: Sensitivity analysis adjustments

Options	Low case		High case	
	Growth multiplier/ Activity uplift	**Assumption**	**Growth multiplier/ Activity uplift**	**Assumption**
PO1 PO2 PO3	6.7	UK growth multiplier described in section 3 of support study	33.6	DE growth multiplier described in section 3 of support study
PO4 PO5	5%	Estimate of lower bound of terminal capacity increase	48%	Upper bound of terminal capacity increase described in section 3 of support study

Source: Steer Davies Gleave assumptions

The results and relative impact of each policy option were not materially affected by the low and high cases used in the sensitivity analysis.

ANNEX 5: DESCRIPTION OF THE ROAD INITIATIVES – THE 'BIG PICTURE'.

INTRODUCTION

The Road Initiatives, which are all REFIT Initiatives, are fully inscribed in the overall priorities of the Juncker Commission notably under the 'A deeper and fairer Internal Market' and the 'Climate and Energy Union'.

The Communications from the Commission on 'Upgrading the Single Market: more opportunities for people and business' (COM(2015) 550 final) and on 'A Framework Strategy for a Resilient Energy Union with a Forward-Looking Climate Change Policy' (COM(2015) 80 final) explicitly refer to the Road Initiatives.

The table below presents the link between the Juncker priorities, the Impact Assessments prepared for the Road Initiatives and the related legislative acts.

Priorities	IAs	Legislation
A deeper and fairer Internal Market	Hired vehicles	Directive 2006/1
	Access to the haulage market and to the Profession	Regulation 1071/2009 & 1072/2009
	Social aspects: Driving/rest time, working time and enforcement measures (tachograph), Posting of workers and enforcement measures	Regulation 561/2006 and Regulation 165/2014
		Directive 96/71, Directive 2014/67, Directive 2002/15 and Directive 2006/22
	Access to the market of buses and coaches	Regulation 1073/2009
Climate and Energy Union	Eurovignette	Directive 1999/62
	European Electronic Toll Service (EETS)	Directive 2004/52
		Commission decision 2009/750

Moreover, the transport strategy of the Commission as laid down in the White Paper "Roadmap to a Single European Transport Area - Towards a competitive and resource efficient transport system" adopted on 28 March 2011, included references to the road initiatives[83].

THE EU ROAD TRANSPORT MARKET

Road transport is the most prominent mode of transport. In 2014, almost three quarters (72%) of all inland freight transport activities in the EU were by road. On the passenger

[83] More specifically in the Annex under points 6, 11 and 39

side, the relative importance of road as mode of transport is even greater: on land, road accounts for more than 90% of all passenger-kilometres: 83% for passenger cars and almost 9% for buses and coaches.

Almost half of the 10.6 million people employed in the transport and storage sector in the EU are active in carrying goods or passengers by road. Road freight transport services for hire and reward employs around 3 million people, while the road passenger transport sector (buses, coaches and taxis) adds another 2 million employed persons (a third of which are taxi drivers). This corresponds to more than 2.2% of total employment in the economy and does not include own account transport which in road freight transport alone provides employment for 500,000 to 1 million additional people.

There are about 600,000 companies in the EU whose main business is the provision of road freight transport services for hire and reward. Every year, they generate a total turnover of roughly €300 billion, around a third of which is value added by the sector (the rest being spent on goods and services from other sectors of the economy). The provision of road freight transport services for hire and reward is hence an important economic sector in its own right, generating almost 1% of GDP.

In road passenger transport, there are about 50,000 (mostly) bus and coach operators (of which 12,000 provide urban and suburban services, (some including tram and underground)) and around 290,000 taxi companies in the EU. Together, they generate a turnover of €110 billion. Without taxis, total turnover of the sector is around €90 billion per year, of which some €50 billion is value added.

WHY IS THERE A NEED FOR ACTION?

Road transport is for a large part international (around 34%[84]) and this share is increasing, which explains the need for a common EU legal framework to ensure efficient, fair and sustainable road transport. The framework covers the following aspects:

- Internal market rules governing access for operators to the markets of freight and passengers
- Social rules on driving/rest time and working time to ensure road safety and respect of working conditions and fair competition
- Rules implementing the user and polluter pays principles in the context of road charging
- Digital technologies to enable interoperable tolling services in the EU and to enforcement EU rules (e.g. the tachograph)

It is clear that current rules are no longer fit for purpose. Member States are increasingly adopting own national rules to fight "social dumping" while acknowledging that their actions have adverse effects on the internal market. Moreover, public consultations have shown a strong support for EU action to solve current issues in road transport. For example:

[84] Statistical Pocketbook 2016, EU Transport in figures

• Severe competition in the road transport sector has led many operators to establish in low-wage countries without necessarily having any business activity in these countries. There is a lack a clear criteria and enforcement mechanisms to ensure that such establishment practises are genuine, and that there is a level playing for operators.
• Measures on Posting of Workers implemented in 4 Member States (DE, FR, AT and IT) are all different and obviously from other Member States which have not implemented any measure to implement the minimum wage to road transport on their territory. Stakeholders ask for a common set of (simplified) enforcement rules.
• CO2 emissions from road transport represent a large share of total emission and the share is set to rise in the absence of common action (at EU 28 level), which is needed to contribute substantially to the commitment under the Paris Agreement and to the 2030 goals.
• Due to the increasingly more and more hyper-mobile nature of the sector, there is a need for common and enforceable rules for workers. All workers should benefit from the same level of protection in all Member States to avoid social dumping and unfair competition between hauliers. This is currently not the case.

WHAT ARE THE MAIN PROBLEMS?

The Internal market for road transport is not complete. It is our assessment that the current situation does not allow to exploit the full potential of transport services

- e.g. current rules on bus/coach services or the rules on hired vehicles are still very restrictive. Some Member States have decided to unilaterally open their market, which has led to a fragmentation of the EU internal market.

Many rules are unclear, therefore leading to different levels of implementation by Member States and problems of enforcement:

- e.g. on cabotage where all stakeholders agree that current rules are unenforceable.

There are allegations of 'social dumping' and unfair competition in the road transport sector. This has led to a division between East and West in Europe. As a consequence, several Member States have decided to take national measures, which might jeopardize the unity of the EU market for road transport:

- e.g. minimum wage rules in DE, FR, IT and AT coupled with disproportionate administrative requirements ; prohibition of drivers taking the weekly rest in the cabin of vehicles in FR and BE.

Environmentally, we have made good progress in reducing pollutants from heavy goods vehicles but our legal framework currently does not address the issue of climate change (CO2). At the same time, the infrastructure quality is degrading in the EU although user charges and tolls are levied on most motorways and other TEN-T roads.

Electronic tolling systems in the EU are still far from being interoperable, despite the primary objective of EU legislation of establishing "one contract/one on-board unit/one invoice" for the users. More generally, the benefits of digitalisation are still under-

exploited in road transport, in particular to improve control of EU legislation (e.g. many Member States do not currently allow the use of electronic waybills).

OPTIONS AND MAIN IMPACTS

To achieve these objectives, all IAs will consider a range of different options, which ultimately should improve the efficiency, fairness and sustainability of road transport.

The IA on Hired Vehicles will assess options aiming at removing outdated restrictions on the use of hired goods vehicles and thus at opening up new possibilities for operators and leasing/hiring companies alike. More flexibility for the hiring of vehicles should lead to more efficient operations, higher productivity and less negative environmental impacts as fleet renewal will be promoted.

The IA on Access to the haulage market and to the Profession will study various options to ensure effective and consistent monitoring and enforcement of the existing rules in Member States and to ensure coherent interpretation and application of the rules. Three broad groups of potential measures will be assessed, namely measures liable to improve enforcement, measures ensuring simplification and clarification of current rules and measures reinforcing the cooperation between Member States.

The IA on Access to the market of buses and coaches will assess options aiming at improving the performance of coach and bus services vis-a-vis other transport modes, especially private car and further developing the internal market for coach and bus services. This should lead to a reduction of the adverse environmental and climate effects connected with mobility. Various policy options will be considered for creating more uniform business conditions and also a level playing field for access to terminals.

The IA on Social aspects of road transport will study options aiming at ensuring the effectiveness of the original system put in place and therefore contributing to the original policy objectives, i.e.: (1) to ensure a level playing field for drivers and operators, (2) to improve and harmonise working conditions and (3) to improve road safety. An additional objective, in the context of the implementation and enforcement of the provisions on posting of workers, is to ensure the right balance between the freedom to provide cross-border transport services and the protection of the rights of highly mobile road transport workers. In this perspective, three broad groups of measures will be analysed: 1. Simplification, update and clarification of existing rules, 2. More efficient enforcement and cooperation between Member States and 3. Improved working conditions of drivers and fair competition between operators.

The IA on the Eurovignette Directive will assess options to promote financially and environmentally sustainable and socially equitable (road) transport through a wider application of the 'user pays' and 'polluter pays' principles. A number of different measures and their variants aiming at correcting price signals in freight and passenger transport will be considered in order to address the issues identified. The policy options range from minimum adjustments to the Directive required for improving its coherence and addressing all policy objectives, through the promotion of low carbon (fuel efficient) vehicles and the phasing out of time-based charging schemes (vignettes) for trucks to the optimisation of tolls for all vehicles.

The IA on EETS (European Electronic Tolling Service) will study options aiming at reducing the cost and the burden linked to the collection of electronic tolls in the EU – for users and for society at large. It will equally seek to improve the framework conditions for the faster and more widely provision of an interoperable European Electronic Toll Service. Different policy options will be considered, including a non-legislative approach (facilitating exchange of best practice, co-financing EETS-related projects) and a legislative review.

These policy options and their impacts will be presented and assessed in detail in the respective IAs.

EXPECTED SYNERGIES OF THE PACKAGE

The different initiatives constitute a coherent set of measures which will jointly contribute to an efficient, environmentally and socially sustainable road transport sector. It is expected that the combined impacts will be more than the addition of the impacts of each initiative, meaning that the initiatives are complementary. Some examples of such synergies are provided below.

- Current restrictions on cabotage are unclear and therefore lead to illegal cabotage. These illegal activities are closely linked with the fact that transport operators established in low-wage countries exert unfair competition via 'social dumping' and not respecting the rights of workers, who often are staying in their trucks abroad for longer periods. This illustrates the clear link between compliance of internal market rules and social/fair competition aspects of road transport, which are all addressed by the road initiatives and which cannot be dealt with separately.

- When assessing the laws applying a national minimum wage to road transport, Member States explained the Commission that one of the reasons for adopting these national measures is to fight the phenomenon of fake establishments and "letterbox" companies in low-wage countries. Tackling the issue of posting of workers in road transport goes therefore hand in hand with the issue of establishment of road transport operators, which again illustrates the link between internal market and social aspects of road transport.

- Promoting interoperability of electronic tolls systems will lead to lower implementation costs of such systems by Member States. We can expect that this will incentivise Member States to put in place distance-based tolls, which better reflect the user and polluter pays principles. This shows the close link between the Eurovignette and EETS initiatives.

- Seeking to improve the performance of coach and bus services vis-a-vis other transport modes will inevitably lead discussion on a level playing between road and rail services. Current EU legislation provides that rail users shall pay for the

use of infrastructure, while it is not currently the case for buses and coaches which are outside the scope of the Eurovignette directive. The inclusion of buses and coaches in the Eurovignette initiative to ensure that they pay a fair price for using the road infrastructure is therefore essential and will ensure overall coherence.

- The initiative on hired vehicles is in particular related to the initiatives on the access to the market and to the profession, all having the aim of establishing clear and common rules for a well-functioning and efficient Internal Market for road haulage: some of them by ensuring a good functioning of the market of transport services, others by ensuring the best use of the fleet of vehicles.

ANNEX 6: DISCARDED POLICY MEASURES

The policy measures were screened to identify the most viable options prior to conducting an in-depth analysis of the impacts of the retained policies. The criteria used for screening the viability of the measures were legal feasibility, technical feasibility, previous policy choices, coherence with other EU policy objectives, effectiveness and efficiency, proportionality, political feasibility and relevance.

The following policy measure was discarded.

Objective	Policy measure	Description
SO3	T7	**Require separation of operation of transport operators and control of terminals.** This measure would require that, if a road passenger transport operator is a public entity, a distinct public authority must exercise control over terminal infrastructure.

Policy measure T7 provided for the separation of terminal infrastructure managers and road passenger transport operators to ensure their mutual independence. It required that if a road passenger transport operator is a public entity, a distinct public authority must exercise control over terminal infrastructure. This measure was discarded for the following reasons:

- it appears relatively inefficient and ineffective, in that it would require significant changes to ownership and management arrangements at terminal locations across the EU. The likely results are at best unclear and there would be substantial effort required to ensure compliance;
- imposing such a separation, in advance of identifying the scale or materiality of discrimination by public entities controlled both transport operations and terminals, would not be proportionate; and
- it may not be politically feasible, because the requirement for enforced separation or road passenger transport operations and terminal control would apply even at terminals which may never be served by regular coach services, particularly on small islands.
-

Policy measures U3 to U5 on market access also had to be screened as there were many different types of approaches that could be taken under each measure. These three measures were divided into three approaches to investigate simpler, faster and cheaper approaches which could be used as common requirements for the protection of public service contracts as detailed in table A6-1 below.

Table A6-0-1: Measures U3 to U5 and protecting PSCs

Method		Details	Example	Issues
Approach 1: Based on proposed and existing services	Detailed analysis of impact, as required to refuse authorisations	"on the basis of a detailed analysis that the service concerned would seriously affect the viability of a comparable service covering one or more public service contracts conforming to a Community law on the direct sections concerned"	Article 8(4)(d) of Regulation 1073/2009	Might be complex, slow and expensive
	Services may not compete with a rail public service contracts	Rail journey must exceed a certain time.	Germany 2013	Sensitive to rail timetable change
		Rail journey must be circuitous, exceeding distance by straight line by a certain factor.		
	Services may not compete with any public service contract	Public service contract journey must exceed a certain time.		Sensitive to public service contract timetable change
		Public service contract journey must be circuitous, exceeding distance by straight line by a certain factor.		
Approach 2: Based on proposed service	Service may not carry passengers between two points in the same administrative area	Area is a County	Sweden to 2012	Different Member States have different internal subdivisions
		Area is a Region	France 2011-2015	
		Area is a metropolitan or municipal area	France 2016	
		Area is chosen by Member State, but may not exceed a certain size, such as no two points in the area more than 50 kilometres apart.		Areas might often be new and wholly artificial
	Service may not carry passengers less than a certain distance	Tickets must be for travel between locations separated by a certain distance by road or in a straight line.	Sweden to 2012, UK 1980, Germany 2013, France 2015	Might be difficult to enforce
	Services must have a minimum distance between stops	Successive stops must be separated by a certain distance by road or in a straight line.		Might prevent outer urban pick-up and set-down
Approach 3: Based on other factors	Service must not compete with a public service contract on price	Minimum coach fare.		Comprehensive study found coach costs of €2.20 per coach-kilometre
	Service must not compete with a public service contract on frequency	Maximum frequency.		Limits benefits, can be evaded by operator collusion
	Service must not compete with a public service contract on booking conditions	Minimum pre-booking time.	Taxis	Taxis segmented into "on demand" and "pre-booked"

Based on proposed and existing services

Under the approach to protecting PSCs based on proposed and existing services three different methods to protect PSCs were considered.

- *Detailed analysis of impact*. This method is similar to the method used in the Regulation to protect PSCs. It is considered slow and expensive by stakeholders and there is no transparency on comparable PSCs.
- *Services may not compete with a rail PSC*. Examples include rail journeys must exceed a certain time or must be circuitous, exceeding a straight line by a certain distance. This method of protecting is particularly sensitive to rail timetable changes.
- *Services may not compete with any public service contract*. Similar to the rail method above but includes any PSC. This method is particularly sensitive to PSC timetable change

These three methods create the problem that an applicant proposing a new service must wait to find out with what existing or future PSC a competent authority says it is "comparable". Also it does not make the authorisation procedure faster or simpler for operators and competent authorities still have to conduct a detailed analysis for each new application if they think that it may compromise the economic viability of a PSC.

Based on proposed service

Under the approach to protecting PSCs based on proposed service three different methods to protect PSCs were considered.

- *Services may not carry passengers between two points in the same administrative area*. This method has been employed in Sweden, France and the UK. However, the internal subdivisions of the Member States may be of different types (Länder, Provinces, Regions, Counties, Departments, Cities, Communes) or sizes. This could mean, for example, market entry in Member States with large internal subdivisions was much more restricted that entry in Member States with small internal subdivisions[85].
- *Service may not carry passengers less than a certain distance.* Using this method tickets must be for travel between locations separated by a certain distance by road or in a straight line. It has been employed in the UK and Sweden and is employed in Germany and France but may be difficult to enforce. If fares are

[85] In principle, a solution to this problem would be to specify the maximum size of areas within which passengers could not be carried, for example with a requirement that no two points in such an area could be more than 100, 50 or 25 kilometres apart in a straight line. A potential disadvantage of this approach is that, to comply with the regulation, some Member States would need to introduce new and artificial subdivisions, which might bear no relation to existing administrative boundaries or transport demand.

sufficiently low, passengers may "underride" on tickets which are printed as being valid for longer journeys[86,87].

- *Services must have a minimum distance between stops*. Under this method successive stops would have to be separated by a certain distance by road or in a straight line. This could be easier to monitor than the method on carriage over a certain distance, as it would only require checks on where the bus or coach stopped, rather than where individual passengers boarded and alighted. However, we are not aware of any examples of this approach being adopted. It might also make it difficult to serve two locations in the same urban area to provide passengers with a choice of pick-up and set-down points.

Based on other factors

Three other methods to protecting PSCs which do not rely on the locations of the points served were considered.

- *Service must not compete with a public service contract on price*. Under this method a minimum fare would be introduced to ensure that coach services did not undercut local PSCs. However, we have identified fares for long-distance coach travel as low as €0.60 (actually £0.50, in the UK) if booked far enough in advance: this appears to be a commercially legitimate means of filling capacity which would not otherwise be used. A minimum fare, unless set very low, might deprive operators of a significant part of their revenue. More widely, it would limit their ability to offer very low prices to passengers if they wished to do so.
- *Service must not compete with a public service contract on frequency*. Under this method a maximum frequency would be introduced, such as limiting services to a certain number per day, or specifying a minimum interval between successive services. However, there is a concern that it could merely result in two or more operators, whether in collusion or not, operating on the same route in a way which offered a frequent overall service.
- *Service must not compete with a public service contract on booking conditions*. Under this method a minimum pre-booking time would build on the common practice of allowing discounts for advance tickets for travel by air or rail[88]. With

[86] "Under-riding" is controversial in Great Britain where, to protect rail revenue from short journeys, promotional tickets for long journeys may not be used for shorter journeys. There are frequent complaints that rail passengers who do not understand these restrictions have been made to pay a penalty for travelling a shorter distance than that specified on their ticket.

[87] Assume a distance threshold of 100 kilometres, and an operator wishing to link two cities A and B, 95 kilometres apart. It could introduce second stops A' and B' in each city, so that the overall route was A' (5 kilometres) A (95 kilometres) B (5 kilometres) B', and then sell only tickets from "anywhere in A to anywhere in B'" and "anywhere in B to anywhere in A'". All the tickets would be valid for journeys of at least 100 kilometres, but it would be difficult to ensure that they were not used for the 95-kilometre journey from A to B.

[88] Early booking discounts are also often available for events such as conferences. In additional, promotional air and rail fares may be offered in advance, such as travel for Christmas booked by September.

many of the new entrant coach operators selling tickets primarily or exclusively over the internet, a requirement that tickets were booked at least (say) 24 hours in advance might prevent their service being used as an alternative to "turn up and go" PSC services, while not unduly affect their business model.

All the approaches and methods impose the risk that changes to services operated under public service contracts, which might be have the deliberate intention of preventing entry, may mean that a proposed new service is no longer permitted.

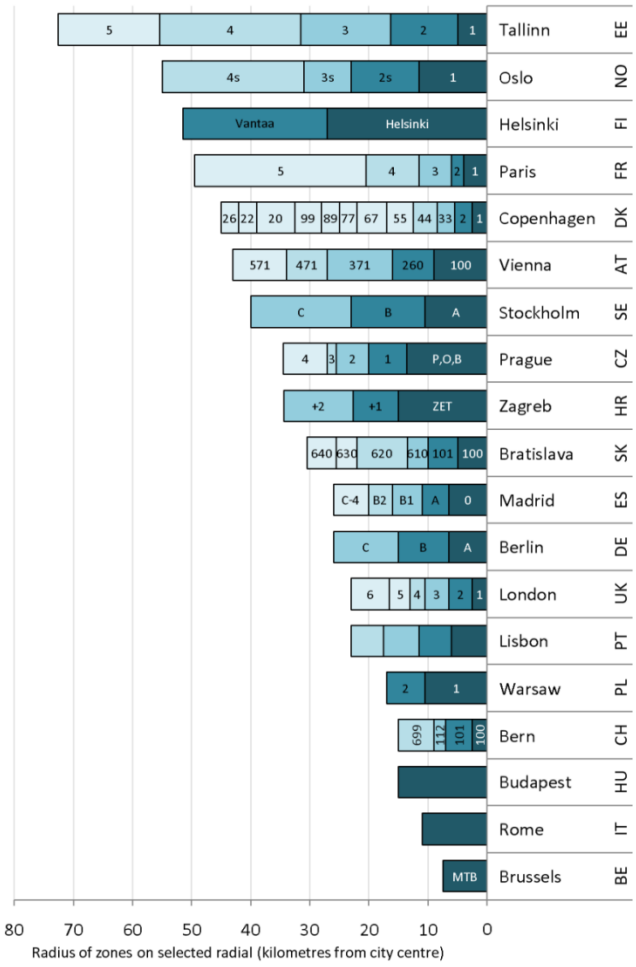
The approaches and methods to protect existing public service contracts, whether from international, cabotage or national regular services, should therefore be based either on the characteristics of the proposed service or on some other feature. Analysis of approaches and methods adopted to date by Member States indicates that the most workable approaches and methods appear to require that each passenger is carried a minimum distance in a straight line, for which there are past and current precedents of:

- 100 kilometres in France and Sweden;
- 50 kilometres in Germany, and
- 48 and 24 kilometres (30 and 15 miles) in the UK.

An added benefit of this approach is that the minimum distance carried can be reduced in stages, and either competent authorities or individual Member States or the EU can liberalise further by setting a lower minimum distance carried.

A number of stakeholders were concerned that application of a common distance might not reflect the different requirements of the Member States and the urban and suburban networks within them, which vary widely in size. Figure A6-1 below, for example, compares the radii of the systems of fare zones in a number of European cities.

Figure A6-0-1: Measures U3 to U5 - comparison of zonal systems in urban areas

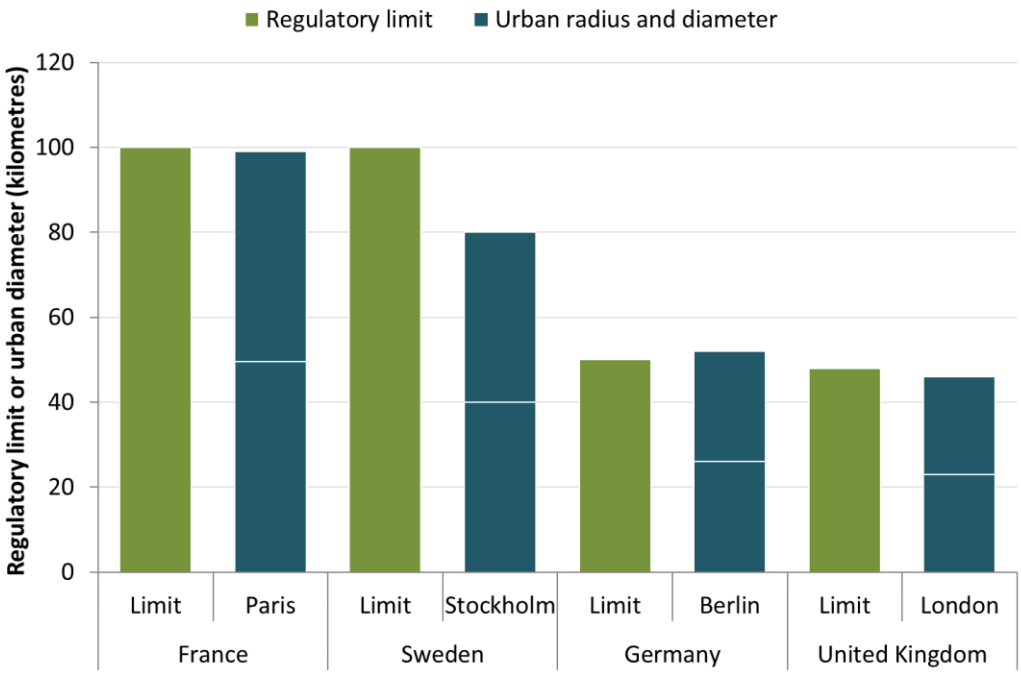


Source: Figure 3.6 of "Study on the prices and quality of rail passenger services", Final Report, April 2016

Some European cities have fares zones extending between an urban centre or conurbation into the surrounding area. In the case of Tallinn, for example, the built-up area extends only around 15 kilometres from the city centre, but the zonal fares system, at least for rail travel, extends over 70 kilometres.

Figure A6-0-2 compares the regulatory limits on the shortest distance a passenger may be carried with an estimate, from Figure A6-0-1, of the effective radius and hence diameter of the largest urban area identified in each Member State.

Figure A6-0-2: Measures U3 to U5 - regulatory limits and diameters of urban areas



Source: Support Study for the IA for the Revision of Regulation 1073/2009

The evidence suggests that each Member State has chosen a regulatory distance broadly consistent with permitting no journey wholly within their largest suburban system, and by implication any other suburban system.

On the basis of the evidence the approach retained for protecting PSCs is based on the proposed service with the method that the service may not carry passengers less than 100km by road. This enables Member States to liberalise further, or to set smaller distance thresholds if they wish. All other approaches and methods are discarded.

ANNEX 7: IMPACTS OF LIBERALISATION ON PSOS

The IA support study provides evidence from France suggesting that there is demand to operate liberalised services carrying passengers both over and under 100km although permission to operate the latter requires a demonstration that the new service will not negatively impact the economic balance of the PSC for regional rail services. ARAFER have indicated that for services below 100km the link that faces competition is often only a small part of a public service. Also, if the link is a very important part of the service, then there is often a high level of frequency and the impact of the declared service would not be substantial.

The case study on Spain (see Annex F of IA Support Study) noted that:

- some regions are islands with no scope for long-distance or international services;
- all regular services are operated as regional or interregional concessions (F.80);
- ALSA, owned by National Express, has large shares in the concession market on any measure (Figure F.45); and
- average passenger journey length on interregional concessions has risen from 117 kilometres in 2000 to 180 kilometres in 2014 (Table F.2). However, we found no equivalent information on regional concessions or on individual routes and their lengths.

In the event of market opening, a plausible outcome is that there would be new entry on many interregional routes and on some intraregional routes. However, with the market currently controlled through the concession system, there is no basis on which to estimate:

- what routes new entrants would choose to operate commercially, how many of them would be identical, or similar, to existing concessions, and hence whether existing concessions would need to be renewed, and at what subsidy levels;
- what fares new entrants would charge, and whether these would be higher or lower than those currently set, or would be extensively yield-managed with a range of fares for each journey; or
- what levels of service, including frequency and on-board services, they would include.

One county in Sweden produces detailed annual analysis of publically contracted passenger transport services indicates that only 12.5% of revenue from PSCs relates to routes over 50 kilometres, and none relates to routes more than 100 kilometres (the longest route within the county is less than 90 kilometres). It is possible to make journeys of over 130 kilometres in the county, but there is no publicly contracted service of this length. The limited sample of Sweden and France suggests that the actual proportion of contracted services over 100 kilometres in some Member States, may be small, because such services are dominated by local bus services. Over 60% of all revenue from publicly contracted services in the county relates to routes shorter than 20 kilometres.

A further study[89] drew attention to the recent liberalisation of coach markets in Germany, Italy and France and to subsequent reductions in night train services in all three Member States, including publicly contracted services in France and Italy. However, rail industry stakeholders interviewed for that study did not suggest that coach liberalisation had been a direct cause of reductions in night train services. In total, coach liberalisation was cited as:

- a factor in rail closures, but not a dominant or sole cause, by the Bundesamt für Güterverkehr in Germany;
- a factor in falling rail demand, but not a dominant or sole cause, by DB and Trenitalia; and
- a cause of rail fare reductions, by DB alone.

While the study related to night trains, which mainly carry passengers long distances, rather than to bus and coach services operated under public service contracts, we note that there were only limited suggestions by stakeholders that coach liberalisation had caused contractions in public services.

[89] "Passenger night trains in Europe: the end of the line?", European Parliament

Revision of Regulation 1073/2009

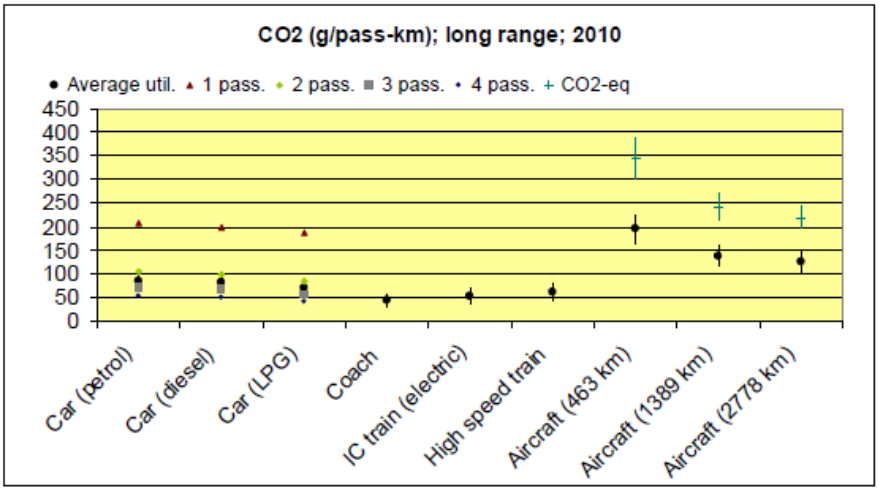
DG MOVE analysis of possible CO2 impacts

To illustrate CO2 impacts of a revision of Regulation 1073/2009, DG MOVE has carried out a case study looking at the connection between Paris – Lille, which was opened to competition as part of the general market opening for coaches in France.

Facts:

Passenger cars are by far the largest emitters of CO2 serving the connection between Paris - Lille and are responsible for in excess of 65% of all CO2 emissions. Coaches, together with electric trains, transporting passengers collectively are the lowest emitters of CO2. As illustrated in the diagram below, coach transport has the lowest CO2 (gram/pass-km) compared to all other modes:

Comparison of competing modes on their CO_2 emissions (g/pass-km): long range



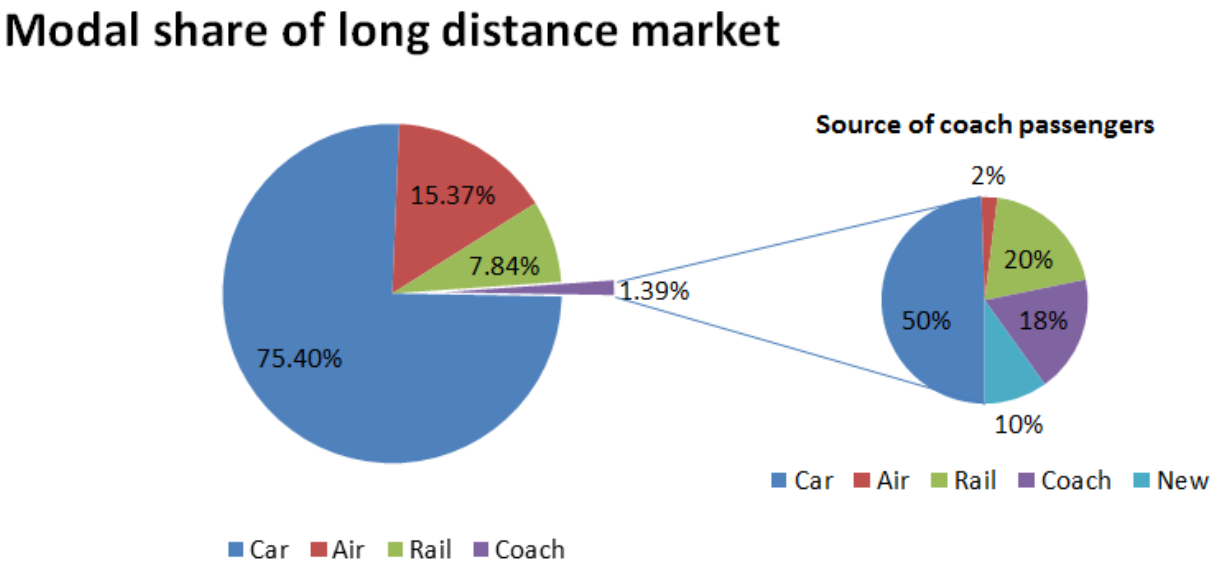
Source: Bus and coach transport for greening mobility, CE Delft 2011

Until August 2015, the intercity market in France was strictly regulated and long distance coach services were restricted to cabotage as part of an international service. Since liberalisation of domestic coach services the coach market has experienced rapid growth.

The Paris - Lille connection is 225km and is serviced by 4 coach operators (FLEXBUS, IDIBUS, MEGABUS, and OUIBUS) with 97 departures and arrivals daily. In addition, SNCF operates 44 train daily departures and arrivals. SNCF, through its subsidiary OUIBUS, operates 38 of the 97 bus services serving this connection.

A typical rail fare would be €40 with a transit time of 1 hour compared to a typical coach fare of €15 with a transit time of 3 hours. These differences illustrate the fact that users of rail and coach have very different preferences and that the coach customer group are more price conscious and place less value of time. This also explains why SNCF is not cannibalising its own rail services when offering parallel coach services.

The figure below shows that coach has a very low modal share (1.39%) of long distance passenger transport. Looking at the sources of coach passengers, i.e. which mode passengers previously used prior to the market opening in France, the main share came from cars (50%), followed by rail (20%) and existing coach services (18%).



Source: Own calculations

Analysis of impacts:

Based on the CO2 emissions per person by mode of transport it can be calculated that the introduction of the coach connection between Paris and Lille has reduced transport CO2 emissions by just over 10,000 tonnes of CO2 per annum. Moreover, it has resulted in 250,000 less car journeys between the cities, thereby reducing also congestion as well as air and noise pollution.

Extrapolating this CO2 saving to the EU would require a more comprehensive study. An estimation, however, assuming a similar shift of passengers from long distance car travel to coaches for the whole of EU would result in a CO2 saving of 1,618,126 tonnes/year.

The CO2 saving for the Paris – Lille connection has had little impact on modal shares. Looking at rail in particular, the shift of passengers to coach represents 20% of the coach modal share of 1.39%, i.e. 0.28% of the total long-distance rail market share. SNCF, operating around 40% of the coach service between Paris – Lille, can be assumed to have regained the same amount of passengers.

Conclusions:

The net CO2 effect of the opening of the coach market in France, illustrated by the case study Paris – Lille, has been very positive in the sense that this particular connection has lowered total CO2 emissions from transport by 10,000 tonnes/year and reduced noise pollution and congestion. The potential CO2 saving for the EU has been tentatively estimated to 1,618,216 tonnes.

Very importantly, this overall CO2 reduction has been achieved on one of the busiest interregional connections with the presence of a high number of parallel rail services. Considering that rail lines are relatively limited in the EU (200.000 km) compared to roads (5 million km), the scope for coach services – without any parallel rail services – is very important, and such new services would have an even more positive net CO2 effect, as travellers currently only have cars as an option.

The introduction of new coach services have had little impact on the rail services in France (0.28%), which is supporting learnings from other countries where inter-city rail services and a liberalised long-distance bus sector are complementary, and one should not be considered an alternative to the other. The major share is coming from passenger cars, which explains the CO2 savings documented via this case study.

More generally, in a recent fact-finding study prepared for the EU Commission it is reported that the liberalisation of the international coach market has reduced interurban congestion, air and noise pollution and CO2 emissions as a consequence of modal shift from cars. Experience across Europe has shown that liberalisation of the domestic coach market results in significant growth in passengers and rapid changes in service quality and cost.

A revision of 1073/2009 would – in addition to reducing CO2 emissions - contribute to a broader and more uniform provision of coach services, which today mainly are present at certain high-volumes links, such as Paris – Lille. By ensuring more harmonised rules, as well as non-discriminatory access to terminals, it would enable also SMEs to enter the markets in different countries, which today largely is restricted to main operators and rail incumbents having the necessary capacity and resources to deal with the high administrative burdens.

Revision of Regulation 1073/2009

DG MOVE analysis of possible CO2 impacts

To illustrate CO2 impacts of a revision of Regulation 1073/2009, DG MOVE has carried out a case study looking at the connection between London – Birmingham. The route was selected as it is part of a network in a more mature market.

Facts:

Coach services in the UK were liberalised in 1980 since when coach companies have been able to operate regular services simply by applying for an operating licence.

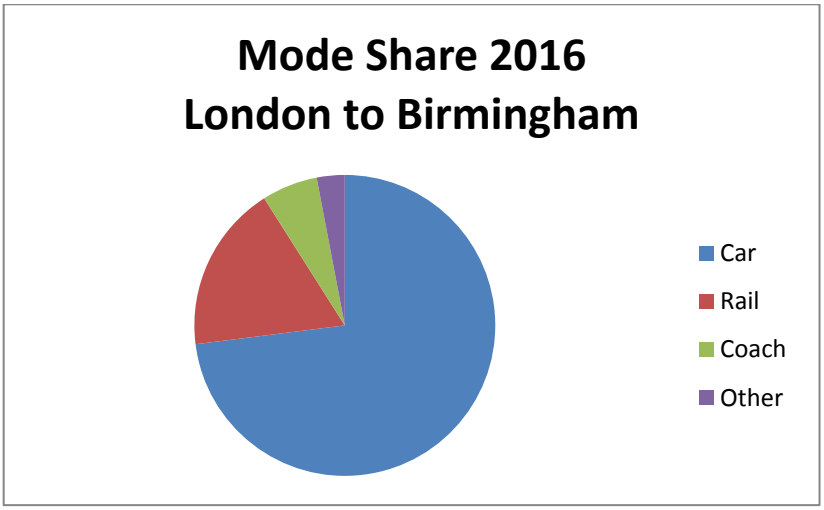
The London - Birmingham connection is 200km. On this route passenger cars are by far the largest emitters of CO2 and are responsible for in excess of 80% of all CO2 emissions.

The route is serviced by 2 coach operators (National Express and MEGABUS) and on an average weekday there are 54 coaches travelling from London to Birmingham. A typical coach fare would be €17 with a transit time of 2 hours and 30 mins. The coach operators serving this route are part of larger groups that also run rail services in the UK.

The route is serviced by 3 rail operators (Virgin, Chiltern and Londonmidland) and on an average weekday there are 168 trains travelling from London to Birmingham. A typical train fare would be €30 with a transit time of 1 hour 43 minutes.

These differences illustrate that users or rail and coach have very different preferences and that the coach customer group are more price conscious and place less value of time.

The figure below shows that coach serves a relatively low share (6%) of the journeys between the two cities. However, together with rail, collective transport accounts for 25% of the journeys.



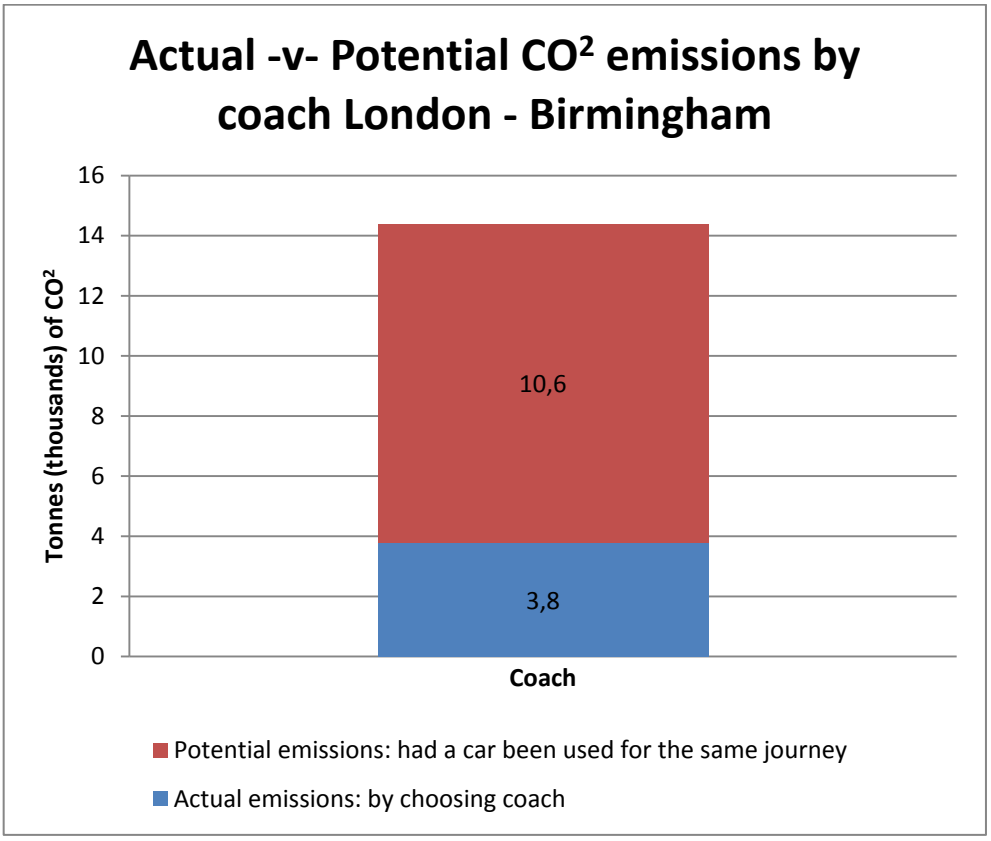
Source: Own calculations

Analysis of impacts:

The total volume of passenger traffic on the route has increased by 6.3% between 2008 and 2016. Based on the CO2 emissions per person by mode of transport it can be calculated that transport CO2 emissions have increased on this route by 5.75% during the same period. Car is responsible for 75% of the increase in emissions with rail and coach being responsible for 20% and 5% respectively.

The case study suggests that the opportunity to use collective transport instead of private car is helping to avoid CO2 emissions. For coach, in 2016, there were 1.15 million coach journeys between the cities. Assuming that 45% of the coach users have access to a car then 517,500 more car journeys would have been made which would have contributed to

103.5 million passenger km and 10.6 thousand tonnes of CO2 compared with 3.8 thousand tonnes of CO2 for the same journeys made on bus.



Conclusions:

In this more mature coach market CO2 impacts are less significant as in emerging markets as most customers have already shifted to long established services. However, coach continues to make a positive contribution to the decarbonisation of transport by providing an alternative to travelling by private car which emits the greatest level of CO2. The case study shows that every coach user with access to a car who chooses to travel by coach is helping to avoid CO2 emissions.

The avoidance of higher CO2 emissions on the London – Birmingham route has been achieved on one of the busiest inter-city connections with the presence of a huge number of parallel rail services. The growth in the coach services on this route has not resulted in any negative impact on the rail services which have grown (>10%) over the past decade. Rail and coach continue to grow faster than car and this case study supports learnings from other countries indicating that inter-city rail services and a liberalised long-distance coach sector operate complementary, and one should not be considered an alternative to the other.